FirstCity

1980 Annual Report

How's the Family?

In a world where communications have become increasingly perfunctory, the question, "How's the family?" remains stubbornly unique: Three words casually posed that always elicit an answer and stimulate a rare moment of personal reflection. In the business context, this First City 1980 Annual Report is a literal response to the far-from-casual question, *How's the corporate family?* The answer, as you'll see in the following pages of thought and report, is, "Fine, thank you."

As we sum up the results of our once-a-year financial self-examination and consult with lawyers, accountants and senior managers, the more familiar connotations of the question, "How's the family?" reverberate and intrigue us. The notion of the family and its time-honoured virtues make a particularly appropriate theme umbrella for the entire report. We live in a compartmentalized environment; role specialization is dominant. It blinds us to the very real relationship between such disparate worlds as the family and the workplace, the corporation. What is that relationship? What are the parallels between the nuclear family and success in business? How does the family affect the conduct of our 9-to-5 lives? In short, why do we wrap this necessary annual exercise in a salute to the family?

Let's start with us, you and me. We are comfortable with the concept of family. Familiarity: We've had a mother, a father . . . and probably a brother and a sister. In fact, we've lived in a family all our lives, first with our parents and now in our own. And we can say, as did the fictional character, Zorba the Greek, "I've had everything, a wife, house, children, the *full* catastrophe!" Of course, Zorba didn't mean it. Nor do we. Families are beautiful.

We have received from our first family things of value; things we couldn't obtain anywhere for all the gold in Zurich. We learned to do all the basics from our family: tying our shoes; not playing with fire; picking up our own toys and socks; not hitting our brother or sister; standing up to the bully down the street; being quiet around our father while he worked. And, as all children do, we learned to learn years before we were packed off to school, well fed, clothed, scrubbed clean and socialized. In short, we learned to be a worker, a citizen, a neighbour, a friend, a father, a husband and, we hope, a civilized human being, all under the tutelage of this marvelous university called the family.

As parents, we've tried to pass on what we've learned. If we do half as well as our mom and dad, who didn't have half our advantages, we will be satisfied.

The extraordinary thing is that it isn't extraordinary at all. It is an ordinary occurrence. And more's the pity, for family is where everything is possible and the permissible may now find its limits. It is a place close to home which is where, as Robert Frost's Farmer says, "when you have to go there, they have to take you in." But it is also a place that the Farmer's wife Mary, characterizes more gently, "I should have called it something you somehow haven't to deserve." Family is a place and time from which we try to escape at our peril. Honour thy father and mother for they will be with you always. Sooner or later we have to go home again. Family is the Great Inkblot in Blood Red: See in it what you will and what you see in it, so it will be. Dance to the Oedipal Rag or the sibling two-step. Family is a thing of literally incalculable consequence. What happens in families cannot be measured or even reduced to triviality. Family is the bastion of the non-rational, the implicit, the on-going, the universal. It so resists analysis that every genius (Darwin, Marx, Freud) must find a theory to explain how it works and every one an explanation to excuse how it behaves.

The family is the most important institution mankind has ever constructed. It is also the oldest, toughest, most resilient and enduring. Only a decade ago the beleaguered family was written off as obsolete. As society's basic institution, it was emotionally unstable, uncommunicative, economically weak and not up to the task of raising children . . . or, so the experts said.

However, opinions have shifted. Like Winston Churchill's view of democracy, social critics have decided that the family is the worst possible system, except for all the alternatives. That conclusion would hardly surprise Canada's 6 million families who continue to raise their children, endure marital and economic stress, and adapt with amazing grace to unprecedented social changes. The truth is, when all the fragile institutions which represent us (the governments, the political parties, the principalities) have disappeared from the face of the planet except as footnotes in a history book, the family will remain. It has to. For without the formation of families the human race has no future, no wisdom, no advance, no community and no grace. That is why we celebrate the Family on these pages so often reserved for self-recognition and self-approbation.

And the link between the heroic family we have described and the corporate family at First City?

Internally, the familial theme is clear. We are a financial organization composed of a family of companies operating under one banner: First City. But this isn't our reason for making this report a family affair.

Externally, the family idea goes well beyond our markets. As a national trust company we serve thousands of families directly all across Canada with our varied financial services, principally in our Savings and Mortgage Divisions. To carry this concept a step further, the other company divisions involved in real estate development, leasing, land banking, term lending and investment services work with a broad range of customers who might be said to represent an extended family.

The real connection is simple: First City's achievements are directly traceable to its people. In depending on our people for our sustenance and quality, we are really drawing on the family. It is sound families that instill the individuals who manage and staff our organization with their aspirations, dreams and standards of behaviour. What sets us apart as an organization are the family roots of our people. The family provides the value systems, the standards which guide the daily activity at First City.

What creates our collective reputation are the accummulated individual family virtues learned early in life and expressed daily as part of our work-style. As a company we want to recognize and thank the family for its role in our success; there is no explanation other than family.

So there it is. First City has no claims to unique wisdom. What has propelled us into prominence has been, all along, the virtues of the family. In a young company, the success story has been older virtues newly discovered. Such unabashed family virtues: striving for excellence; team work . . . pitching in; character; sense of responsibility; fair play; discipline; leadership; perseverance; loyalty; common sense; sense of humour; self-respect; how to win . . . and how to lose; competitiveness; personal ethics; a zest for hard work and its rewards; pride in one's self and being part of an organization; and, an understanding and caring attitude. For these simple but essential qualities, we are grateful to the families of our people. We have come to understand that the economic and biological rationales for families were never the most important ones. The family's greatest value is that

it teaches people love, commitment, effort, sacrifice and mutual support; the things that make us civilized, responsible human beings. We have never needed these qualities more than we do now. Long live the family whose definition makes it one with the corporate family.

Family: the coming together of people to live intimately, sharing burdens and benefits under one roof, for extended periods.

The cover photo is only a detail of the quilt above. This is an Amish quilt made in 1920 in a design pattern called "Diamond in the Square." We present it as a handmade metaphor for First City. The photographs in this report are designed as an evocation of Family.

Quilts and Corporate Values

The years go by, but our corporate goal remains unchanged: To get to the top by being distinctively different. What sets us apart is our people. And what sets them apart are the families they come from.

Family is our theme this year. The photographic portion of this Annual Report is an evocation of family images.

It is evident from the cover and the facing page that quilts, a handmade family legacy, are being given special attention quite apart from their relevancy to the family theme. Here's why. In the words of an experienced quilter, May White, "In quilting you're given just so much to work with and you've got to do the best with what you've got. That's what piecing is. The materials are passed on to you or are all you can afford to buy and that's what's given to you. But the way you put them together is your business."

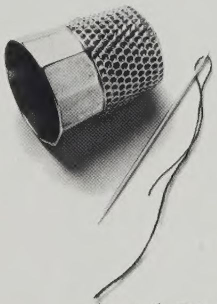
These emblems of life are a metaphor for First City's corporate family existence. Like the elegant quilts pictured, First City's performance is the result of many hands and eyes. The businesses we are in require skill and craftsmanship. Managing our diverse organizations requires adherence to a plan; much patience and steadfastness is demanded. As a quilter's art is both bold and subtle at the same time, so are we. We are complex and variegated, yet cohesive, as are these splendourous and fragile quilts. A quilt is a personal statement of many individuals, as is our company.

Each completed work is unique and unduplicable. This is often the case with our financial transactions. The aim of the quiltmaker's art is something beautiful and practical and, while commerce is not always beautiful in that sense, we must at all times be eminently practical. The words that apply to these quilts (exciting, simple, timeless, disciplined, harmonious, diverse, bold) also describe our business and the way we try to approach it.

"Four Patch Variation" crib quilt, Amish, 1920

"Feathered Star with Streaks of Lightning" quilt, New York, 1875

The parallels between First City work-style and these fine and long-lasting family pieces are extraordinary:



☐ several things are happening at once
☐ simple yet powerful
☐ intricately refined
☐ vitality and strength
☐ invention within traditional wisdom
☐ utilitarian spareness and simplicity

Quilts are often the products of "bees," a form of mutual aid. With us, frequently, the service given to our clients is also an integrated team effort. Yet, as the quilt provides an outlet for individual creative energies, so it can be said about First City's activity: Time and again, it is a platform for individual achievement.

For all of its visual complexity and simplicity, the adaptation of form to function is the underlying strength of a quilt. That is and will continue to be an overriding guideline for First City's management. In quilting, the redundant must be pared down, the superfluous dropped and the necessary itself reduced to its simplest expression. This refinement allows us to focus our energies on fundamentals and creativity.

Quilts have another message which we endeavour to keep in mind as we go about our jobs: These strong-threaded products of creativity and discipline were made in a happy-spirited atmosphere of good humour. The sheer joy expressed in their colour and in the interplay of texture and image tells us something about worthwhile human endeavour, business or family: You must have fun, a sense of delight, a dollop of spontaneity in what you do, because that is your personal investment, your love, if you will, in a job well done.

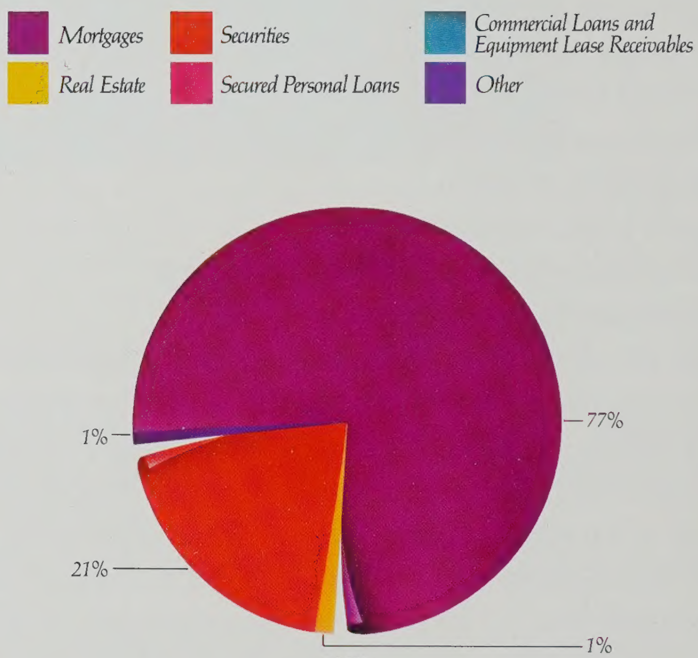
That, in the long run, will ensure that First City will be as long-lasting and respected as these humble products of familial workday craft and august devotion to excellence.

Financial Highlights

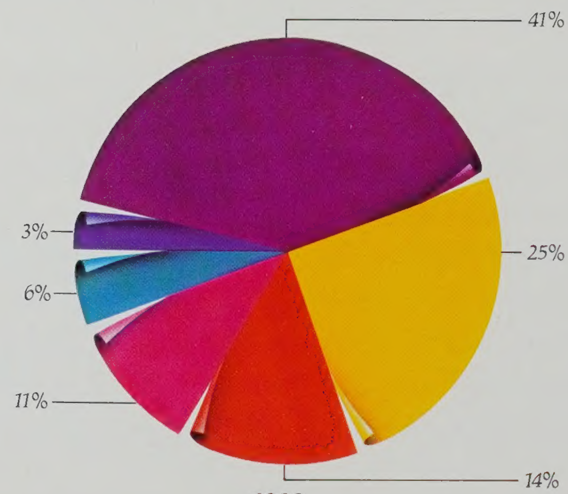
		1980	1979	Percentage Increase
First City Financial Corporation Ltd.	Earnings Per Share	$ 2.63	$ 1.07	146%
	Net Income	$15.2 million	$ 6.0 million	153%
	Total Assets	$ 1.8 billion	$ 1.2 billion	50%
	Shareholders' Equity	$ 71 million	$ 37 million	92%
First City Trust Company	Earnings Per Share	$ 8.28	$ 4.71	76%
	Net Income	$11.6 million	$ 7.4 million	57%
	Investment Assets			
	Securities	$ 180 million	$111 million	62%
	Mortgages	$ 695 million	$619 million	12%
	Personal Loans	$ 185 million	$ 22 million	741%
	Equipment Leases and Commercial Loans	$ 103 million	$ 72 million	43%
	Real Estate	$ 436 million	$278 million	57%
	Customer Deposits	$ 1.2 billion	$822 million	46%
	Shareholders' Equity	$ 74 million	$ 46 million	61%

First City Trust Company

Composition of Assets

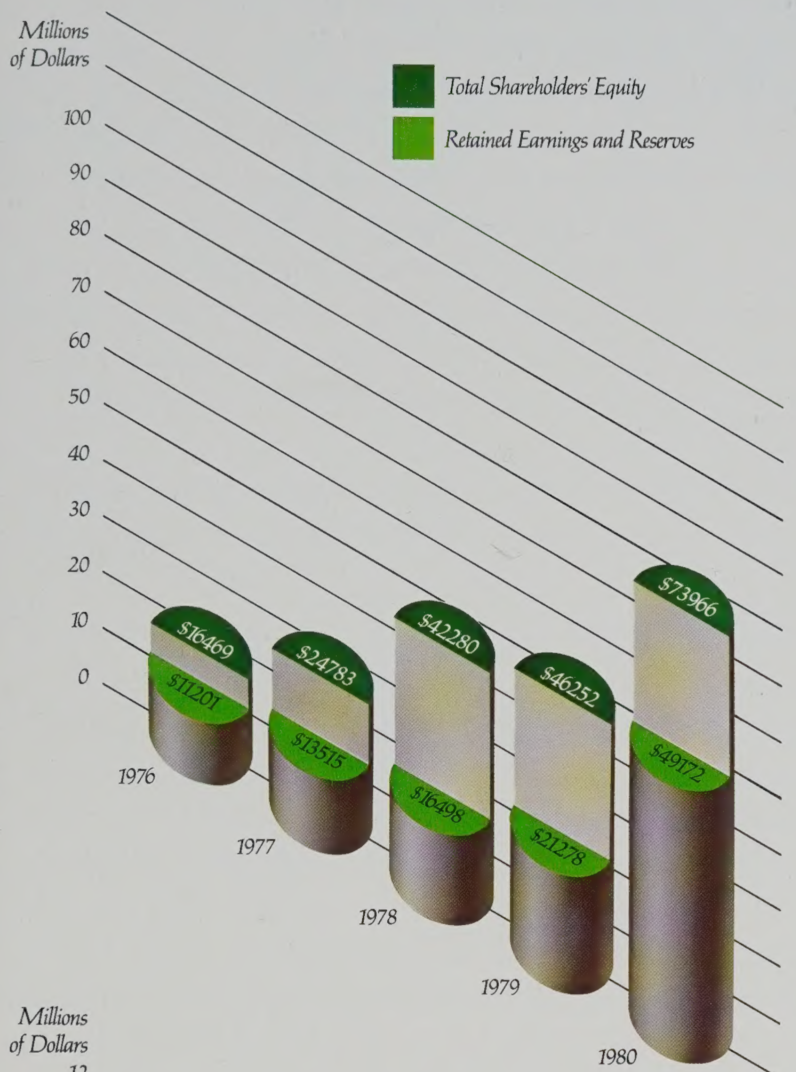


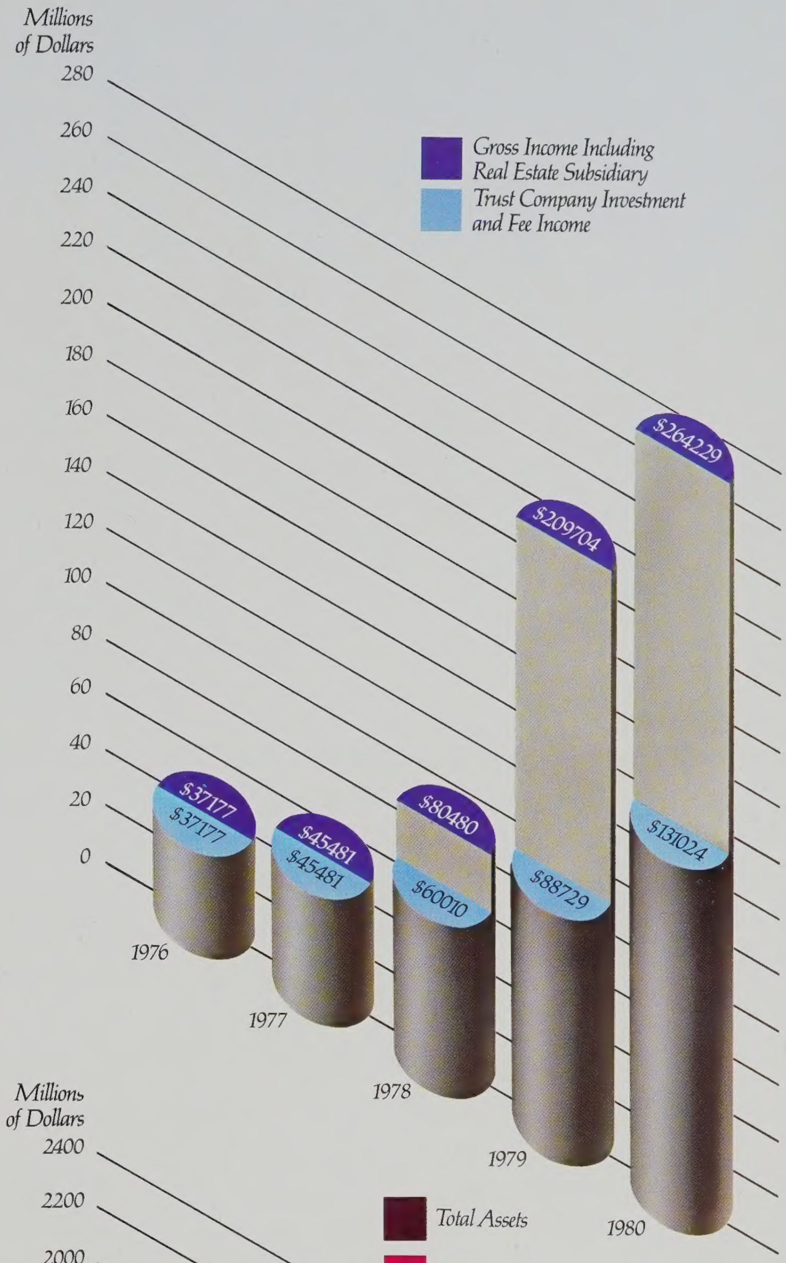
1975

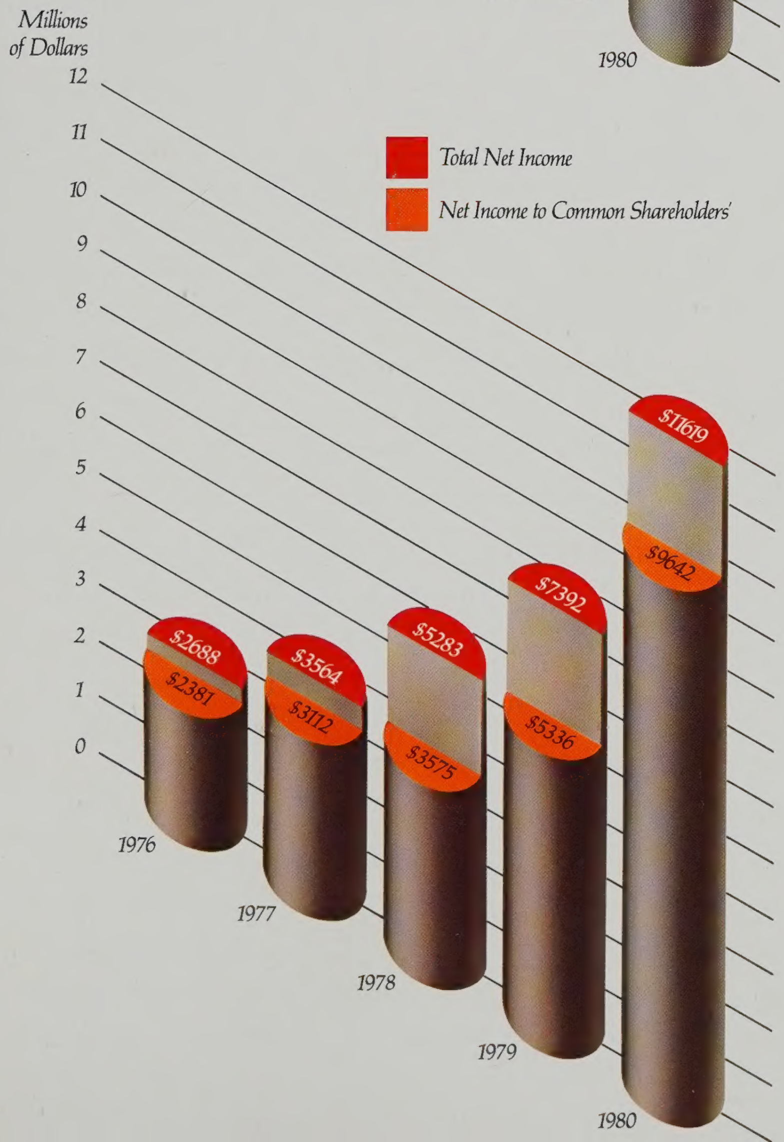


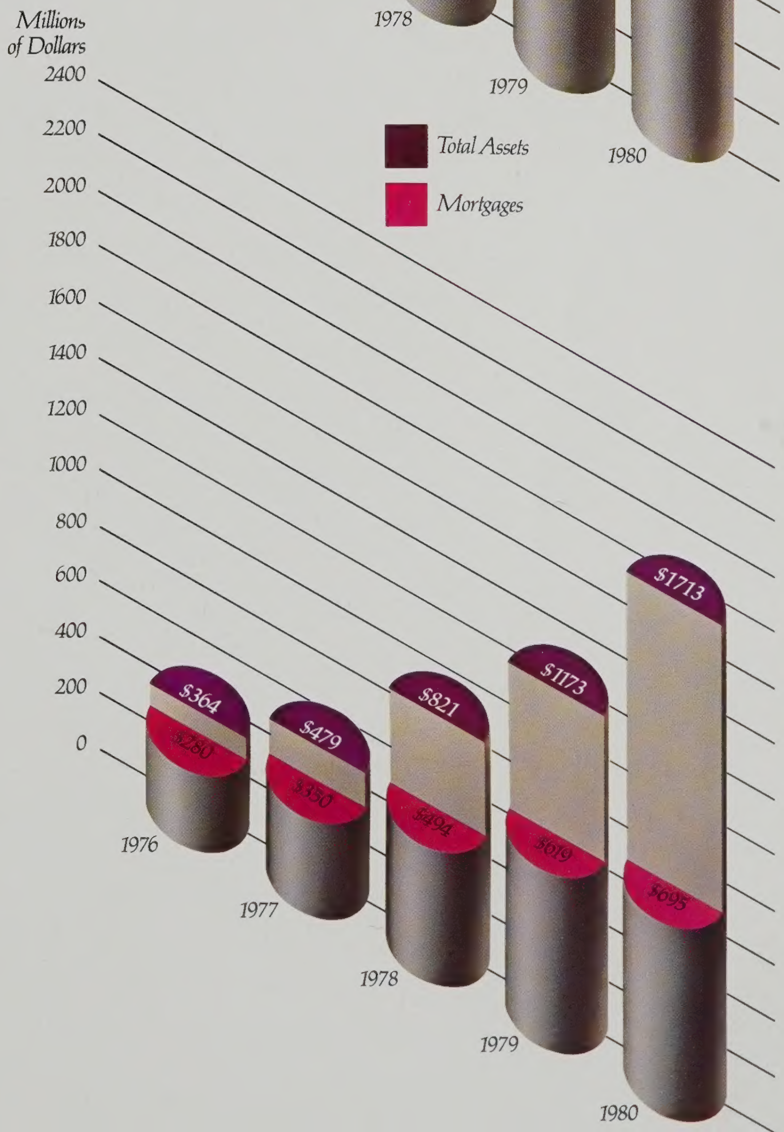
1980

First City Trust Company









To Our Shareholders, Clients and Employees:

This is a family reunion. On these pages of thought and report, the First City family of companies has come together to answer the question, "How's the family?" The answer in this 1980 Annual Report in word and number, comes down to, "Fine, thank you." If this report could be made in sound as well as print, we would choose the catchy song "We are Family" which was given so much play during the 1979 World Series won by the Pittsburgh Pirates who had adopted it as their theme.

The song will fade, no doubt, well before the memories of that wonderful season. But it seems to us, what will last longest will be something that the leader of that team, Willie Stargell, said about his view of baseball, "We go out and work hard, but we have fun, too. It's supposed to be fun. The man says 'play ball' not 'work ball,' you know. You only have a few years to play this game. You can't play it if you're all tied up in knots."

So, while it is bottom lines, not line drives we deal with day-to-day, we think it appropriate to share this reflection of our approach to the family business with you; a family secret, as it were.

First City Financial Corporation Ltd.

The company achieved another record level of earnings with net income of $15.2 million, up 153% over the previous year. Earnings per share of $2.63 versus $1.07 for 1979 reflect the 2 for 1 stock split that occurred during 1980. Consolidated assets on December 31, 1980 amounted to $1.8 billion, representing an increase of $600 million over 1979 year end levels.

The company acquired, at year end from its principal shareholder, all the shares of Roxboro Realty Corporation Ltd., a real estate company whose operations complement the company's real estate subsidiary, First City Development Corp. Ltd. First City Financial did not recognize any of the revenues and earnings of Roxboro due to the timing of the purchase.

Although First City Financial Corporation Ltd. is the holding company of the group and the bulk of the operations are carried on in subsidiary companies, it has acquired a significant portfolio of equity securities, amounting to $75 million as of December 31, 1980. The company's strategy is to seek out publicly traded companies that are under-valued in the marketplace and to take a meaningful long-term investment position.

First City Trust and Subsidiaries

Operations Review

First City Trust Company

First City Trust Company attained another record year of earnings and asset growth. Net income for the year of $11.6 million versus $7.4 million for the previous year represents a 57% increase. On an earnings per share basis, current year $8.28 compared to $4.71 for 1979 represents a 76% increase. The above average industry performance in earnings is related to the 46% or $540 million growth in assets during the 1980 year.

Over the past two years, the financial community has experienced a chaotic interest rate environment, largely due to the action taken by the U.S. Federal Reserve and the Bank of Canada to control money supply. As indicated in previous reports, your company has, to a large degree, insulated itself from these interest rate swings by careful adherence to a matching concept of assets to liabilities, both as to term and interest rate. This matching concept, however, was not a guarantee

for improved earnings. In previous years it was a virtual certainty that the industry enjoyed a one and one-half percent spread on the residential mortgage business. This is not the case today. Many companies are experiencing less than a one percent spread on this type of business coupled with increased servicing costs.

First City Trust, to combat this deterioration in spreads, has increased its other investment portfolios which produce higher revenue yields with minimal risk. A chart on the highlight page of the report indicates that in 1975 mortgages comprised 77% of the company's assets, whereas, in 1980 mortgages amounted to only 41%. It should be noted, however, that mortgages totalled $213 million on December 31, 1975 and now amount to $695 million in 1980. In addition to a continuing increase in our mortgage portfolio each year, we have built up investment portfolios comprised of leasing and commercial loans, personal mortgage loans, loans on deposit certificates (notably the IAC program), securities and real estate.

Customer Deposits

Customers' deposits on December 31, 1980 reached the $1.2 billion level, representing another record year of growth of $380 million. The Savings Division is the company's means of financing its loan portfolios and investments and, accordingly, is the key to the growth of the company. In order to continue to increase the company's deposit-gathering capability, we concluded (early in 1981) the purchase of Equitrust Mortgage and Savings Company which has added five established branch locations in southern Ontario. In addition, new branch locations planned in 1981 include Montreal, Quebec City, Sudbury, Kitchener, Halifax, St. John's, Newfoundland, and an additional branch in Toronto.

Mortgages

The mortgage portfolio of $695 million increased by $76 million during the year. New business committed in 1980 amounted to $239 million. Income from mortgages increased 33% during the year. Mortgages sold to third party investors amounted to $84 million and the portfolio under administration at year end amounted to $307 million.

Samuel Belzberg
President
First City Financial Corporation Ltd.

Arnold H. Jeffrey
Chairman of the Board
First City Trust Company

David A. Croll, Q.C.
Chairman of the Board
First City Financial Corporation Ltd.

First City Realfunds

At the end of the year, the portfolio of personal loans, secured by second mortgages on residential real estate, amounted to $58 million which represented a 220% increase over the previous year. The Division funded $40 million in loans during the year.

Leasing and Term Lending

The company, with its subsidiary First City Capital, generated $60 million of new lease and term loans during 1980, resulting in a year end balance of $106 million.

Real Estate

First City Development Corp. Ltd., a wholly-owned subsidiary of First City Trust, operates as a fully diversified real estate company directly engaged in land servicing, house building and condominium conversion, income property development and income property management. In addition, it enters into equity financing arrangements with real estate developers. Development's holdings are geographically diverse, operating coast-to-coast, in both Canada and the United States.

The real estate portfolio on December 31, 1980 amounted to $436 million which represented a $158 million increase during the year.

Corporate

The company commenced its relocation of executive offices to the First City Building at 777 Hornby Street, Vancouver, B.C., in September 1980 and all personnel will be relocated by June 1981.

On November 30, 1980 the company issued 363,636 common shares valued at $20 million to its parent, First City Financial Corporation Ltd., for the purchase of Roxboro Realty. This investment was passed down from First City Trust to First City Developments by way of common share exchanges at the same $20 million value in order to collect all the real estate operations under a single company, First City Development Corp. Ltd., at a subsidiary level to the First City Trust Company.

As mentioned previously, the company acquired approximately 97% of the stock of Equitrust Mortgage and Savings Company by way of a share exchange of one $8 par value, 11¼% retractable second preferred share for each common share of Equitable Mortgage. During the year the company created a new second class of preferred shares comprising 4,000,000 shares at $8 par value each and in respect of the Equitrust offer, approximately 1,100,000 preferred have been issued in 1980 at a value of $8,800,000.

Outlook

At this early point in 1981 we are optimistic about the continuing strong growth in earnings. Our diversified portfolios of assets and our matching strategy positions us to operate effectively in what we anticipate will be an uncertain economic climate. Both Canada and the United States are still plagued with high inflation rates, coupled with a continued strong demand for money with a resulting high level of administered interest rates.

But we are approaching 1981 with a tremendous clean-windshield feeling. Our optimism is founded on the previously mentioned (carefully prepared) measures we have taken to counterbalance the negative economic factors which face us. We are believers that any successful business organization does the best it can with conditions as it finds them and doesn't wait until the next year for things to get better.

This annual report is a salute to the Family and the all-important part it has played in our successful growth through the gift of its time-honoured virtues to our most important asset, our staff and management. Those virtues, unassumingly evident every day in our relations with each other and our customers, give us the momentum to reach our corporate goal: To get to the top by being distinctively different.

May we end this letter with the story of the father who snipped a map of the world out of a magazine, tore it into little pieces and gave it to his son as a jig-saw puzzle. The boy put it together in record time. How did he do it? "Dad," the boy replied, "on the back of the map there's a picture of a boy's face. I just put the boy's face together and turned it over and the map of the world was there." The moral of the story is: If you put the people together right, the world will take care of itself.

On behalf of the Directors,
respectfully submitted,

David A. Croll

David A. Croll, Q.C.
Chairman of the Board
First City Financial Corporation Ltd.

Sam Belzberg

Samuel Belzberg
President
First City Financial Corporation Ltd.

Arnold H. Jeffrey
Chairman of the Board
First City Trust Company

Mortgage Acquisition

Be it ever so humble there is no place like home for the Canadian family. Never before has the achievement of the Canadian Dream been so difficult and expensive. In the 70's housing turned out to be prolific, never before had so much new housing been built and never before had the homebuyer shown such an appetite for opulence: living spaces with sweep, if not grandeur; air conditioning; a fireplace, or two; and, baths galore. The outlook for the 80's is that homes will be built and while they may be less lavish, they will sell at even higher prices. What will be in question is that the demand will be there, but house prices and mortgages at affordable rates may not be. The age of future hock has arrived. The current slow-down in construction means that builders will struggle to catch up with the market. It will be a bumpy decade for the industry, full of ups and downs. The villain, a familiar one, is inflation which has crept in on size 18E cat feet. With interest rates on mortgages soaring to record altitudes and the price of new housing leaping to near Himalayan heights, the nation's homebuying fever has cooled. Lately, both new construction and the sales of existing homes have been in serious decline.

As a major force in helping many thousands of Canadians acquire their dream houses, we at First City Trust can remember not so long ago when young couples would spend Sunday afternoons walking through model homes, dreaming about the big house they would someday own. Those Sunday outings were mental picnics in a bygone era. The couples were preparing for the eventual realization of the Canadian Dream: Owning their own home. In those days *someday* was a favourite word; *never* didn't enter their minds. There was always time to delay the decision to hitch a U-Haul to that dream. Other things had priority: vacations; investments; and, the freedom of being unencumbered. There was plenty of time. Real estate was always available. How were they to know that a real estate boom would race past the economy like the Headless Horseman and make their annual cost of living increases look like hay? How were they to know that the Canadian Dream no longer automatically included status as a landowner?

But the desire to own is strong. Family and home are nearly synonymous. Plans to buy homes can be delayed only so long in spite of high prices, high interest rates and economic uncertainty. The extent to which people are willing to sacrifice for that first home is astonishing. Part of that sacrifice is reflected in changing life-styles. Couples are having children later, allowing both parties to work longer. They are going after more modest homes and deferring the purchase of furnishings and appliances. And they are willing to buy economy model, no-frill homes, electing to do the finishing and adding such amenities as baths and fireplaces themselves to save initial costs. Tired of renting, counting on yet higher housing prices due to increased demand and resigned to double-digit interest rates, they are not waiting.

Family is held together by the strongest of human bonds—by love and by the demands of self-preservation.
—George Kendall

For all the chaos and confusion of the past year's market environment, First City Trust's Mortgage Acquisition Division had an outstanding year as measured in target market volume and profit. Mortgages in force at the end of 1980 were up 12.28% to $695,210,000 as compared to $619,163,000 in 1979. It's important to point out that the more profitable Industrial, Commercial and Income Property segment of the market accounted for much of this increase.

With the realities of the marketplace and profitability in mind, in 1981 we plan on a greatly accelerated effort in the Commercial/Industrial segment of the business. Recently, one of the major trends in the industry has been a gradual movement of developers into areas of financing traditionally held by construction firms. On the strength of a financing package that combines interim construction lending to the developer and take-out financing to the purchaser, First City has tapped into a direct line of potential Commercial/Industrial business. One recent example in Vancouver was our involvement in a $7 million construction loan for three condominium apartments in which we also supplied $8.25 million in take-out funds.

This is by no means the only type of business we plan to pursue in 1981. Our full service wholesale mortgage approach involves a complete range of loans necessary to development success that includes funding for:

☐ land acquisition loans
☐ interim construction financing
☐ long-term loans
☐ participation or joint ventures

Aside from our resources and proven mortgage service ability, our major asset is the ability to establish a state of mutual confidence between ourselves and our customers; without which everything breaks down.

Back when mortgage rates were 4% and 5% and baseball players averaged $26,000 per year, Casey Stengel, the frank manager of the New York Yankees, defined ability as, "the art of getting credit for all the home runs somebody else hits." Ability we have and the figures to prove it. But we are not for a moment in doubt about where it comes from. Our "good season" springs from a competent team of mortgage managers who share one working thought: Attitude is more important than fact. We measurably bolstered that team in 1980 with senior level appointments in the Toronto and Vancouver offices. With the acquisition of Equitrust, we gained professional expertise in the Hamilton area. Our planned expansion into Montreal will add another major mortgage acquisition office in June 1981.

With inflation sure to play a continuing role in the economy, no one can say with any certainty what 1981 will bring. We do not plan to merely sit by and complain because we know the reason that business enterprises have trying times is that too many people quit trying.

Use it up, wear it out;
make it do, or do
without.
—Good Advice

Mortgage Underwriting

In any family business someone has to be responsible for keeping a firm grip on the family shirt, particularly in the mortgage business. Somebody has to cast an eye out for the unexpected, unlooked-for wrinkles in every transaction. That job in our organization belongs to Mortgage Underwriting. It is the endless, thankless fight against the untidy, the ambiguous and the loose ends. Prudence and discipline are the watchwords for this Division, whose major responsibilities include:

- ☐ establishing and maintaining loan underwriting policies and procedures
- ☐ underwriting and structuring commercial loan applications
- ☐ reviewing the legal aspects as they relate to mortgage security
- ☐ real estate loan funding
- ☐ management and administration of the interim and construction loan portfolios

In other words, this Division's job is to support the Mortgage Acquisition Division by putting together transactions and ensuring proper administrative follow-through later. Their work is the important safeguard for the security of depositors' and shareholders' invested funds.

In the continuing effort to address the general question of how safe is fail-safe, the Division's major activity in 1980 was a restructuring of its thirty-two staff-member organization. Specifically, the reasons were:

- ☐ to reflect increased levels of specialization
- ☐ to redefine reporting lines to provide new work flows required by increased business
- ☐ increased organizational depth to provide greater support for the Mortgage Acquisition Division, both in commercial and residential underwriting
- ☐ to create new and challenging positions for personal growth

For the underwriting group, getting it right is an obsession and not always an endearing one. This is tempered by the fact that the acquisition people, however aggressive, are mature enough to understand that sometimes you have to say no in order to say yes. This considered people-planning effort will help improve the teamwork necessary for each transaction and speed up decision-making. Plans for 1981 include:

- ☐ establishment of a word processing center
- ☐ revision of forms to improve paper flow
- ☐ development of management information systems
- ☐ head office and field personnel exchanges will be made part of the continuing training program

But our existence is in the past, as well as in the future. Unless we know very well where we have been, we cannot see where we are going. These old houses, rooms, and people who lived in them have something of value to tell us, something satisfying to show us.

Even as Queen Elizabeth II becomes the incredible shrinking woman on the dollar bill, the outlook for the growth of real estate volume and the demand for mortgages appears assured in the long run. More business will make it essential for us to continue improving our branch/head office communication system, increase the use of computer hardware to speed up the mechanism for approvals and facilitate loan application completions. In the continuing effort to put only good business on the books, we are simply adhering to the lesson learned long ago on idyllic family vacations: Never test the depth of the water with both feet.

Savings

The twelve most persuasive words in the English language are: you, money, save, new, results, health, easy, safety, love, discovery, proven and guarantee. With the possible exception of health, love and discovery, all these words can be said to relate to our Savings Division. It's fortunate for us that we have that kind of persuasive power on our side. The savings dollar is First City's primal connection, our raw material, the basic protein of our financial food chain. All of our other activities would become inert if we couldn't be in a position to fund. To say Canada is savings-minded is to understate. Even in a time (1980) which defines claustrophobia as trying to live within one's income, 35,747 Canadian people have managed to put away $100,000 or more each into personal savings. No wonder Canadians are said to lead the world in per capita savings. In spite of the thrift-prone citizenry, acquiring these deposits is no cake-walk for First City. More and more, it is the sabre rather than the rapier which gets the deposit results in a rate-sensitive, fickle and competitive investor market.

First City Trust's 1980 savings results demonstrated a total deposits rise from the 1979 level of $796 million to $1.156 billion. Long-term Guaranteed Investment Certificates totalled $543 million as of year end 1980 compared to $456 million in 1979. The Registered Retirement Savings Plan figure for 1980 was a record $160 million, well up from the previous year's $95 million total. Not to be overlooked, our innovative Income Averaging Annuity Contract, known as the IAC loan program, was aggressively promoted and continued to receive excellent acceptance throughout Canada.

Our "wholesale" marketing orientation (as opposed to a full-scale retail-consumer operation) makes it unnecessary to have a savings branch on every corner in every town. But it does put the emphasis on maximum growth effectiveness in our network of existing branches across Canada and on a controlled strategic new branch expansion program. To enhance that effort in 1980, we moved the Vancouver branch into richly-appointed new quarters at the entrance to the redesigned First City Building. Earlier, in May, the Winnipeg branch moved to its new location with measurable and gratifying results in deposit growth.

In life there are no permanent solutions or victories. To win means to stay committed, to manuever.
—Adlai Stevenson

The velocity of our branch expansion picked up considerably in February 1981 with the opening of a new branch, our fourth in Toronto, at 2930 Bloor Street West. Account opening response was immediate: The branch is well on its way to becoming a major deposit-gathering vehicle. This addition to the branch system was closely followed by the formal addition of the five-branch Equitrust network to our system as a result of the joining of First City Trust with Equitrust. Overnight, we added two branches in Hamilton and one each in Burlington, Brantford and Guelph. In all, the acquisition of these five branches gives First City 12 branches in Ontario alone; 19 nationwide. In what will be a busy year, the balance of 1981 calls for adding 6 more branches in eastern Canada: Montreal, Quebec City, Sudbury, Kitchener, Halifax and St. John's, Newfoundland.

In business organizations, growth and people are as inseparable as the two wheels of a bicycle. 1981 saw two notable additions to our savings management staff: The appointment of a property manager who will be responsible for finding and securing future branch sites; and, an officer in charge of branch administration whose responsibilities include standardization of branch operations and personnel training. The addition of a product development manager in 1981 will round out our senior savings management team.

Many of our larger branches are at the point where our branch managers have their hands full trying to deal with day-to-day operations while shouldering responsibility for business development. In 1981 we will begin to phase-in specialization; a Branch Manager to handle daily administration/operations and a Business Development Manager for securing new deposits and accounts.

First City has gone over $1 billion in savings deposits. To be exact, $1.156 billion. This must be some sort of record for a trust company with just 19 branches. Knowing the number of competitors with branch systems many times our size, how is it we've been relatively successful? Family. Yes, we do serve many thousands of Canadian families. But that is not basis enough on which to relate our theme. What we mean is: For years we've been running the largest mom and pop trust company in Canada. It's our "family" approach at the branches; the personal attention, personal involvement and family concern that have earned us an enviable growth record, branch by branch and nationwide. To have done otherwise would be akin to treating our customers as personally as "occupant" mail or acting like mailmen who don't make house calls. Our Savings Division, more than any other, is aware that personality can open doors but only character can keep them open. In an age of increasing depersonalization and corporate slickness, being a family operation in that sense can only be an advantage. While this savings report is a chronicle of change, we hope our uncomplicated, unsophisticated branch family spirit will never change.

*In family, we learn to love
and to be loved, to belong
to something bigger
than ourselves.
—C. K. Miller*

Investment

The charter of the Investment Division is to decide which investment opportunities offer the highest rate of return at an acceptable risk level. Easy to say, hard to do. The pitching and rolling of today's capital markets would tempt any investment decision-maker to play it as though it were a porcupine hunt: First you throw a big washtub over the porcupine; that, gives you time to think about what to do next. With today's uncertain, unstable market, trying to be decisive makes you feel like a centipede that's been told to put its best foot forward. What else is there to do? We can say, "Excuse me," and tip-toe away. But that would be unthinkable, not in step with how we got to where we are today. So choices are made; decisions rendered. What follows is a brief description of the economic environment in which we made those decisions and a posting of results.

The year 1980 was characterized by unprecedented volatility in the Canadian and U.S. capital markets. Early in the year the economy finally slipped into a long awaited recessionary period which proved to be one of the shortest on record, as subsequent statistical data showed. Economic indicators such as retail sales, housing starts, index of lending indicators, CPI and other measures were all rebounding sharply after showing extreme weakness in the first quarter. This variability was amplified in the fixed-income sector where interest rates spiralled to record highs during the first three months of the year and then plunged with equal vengeance during the second quarter. Over the balance of the year rates trended steadily higher and, in fact, by year end surpassed previous March highs. Equity markets were equally volatile, reflecting widespread investor indecision as to the longer term effects of economic instability and variable interest rates on corporate profitability.

By the end of 1980 the total size of the portfolio had increased by \$89.3 million or 63.8% to \$229.3 million. Reported income was up \$6.3 million or 42.7% to \$20.9 million. Funds were allocated to the various portfolio segments throughout the year, with the objective of producing the highest relative returns per dollar invested.

The pipe organ, known as the "King of Instruments," is so named partly because of its massive size and sound. If it has a drawback, it is that if one makes a mistake while playing there is no reverberation to hide that error. So it is with investment activity. Although not large in size, the group has to play on a daily basis and any mistakes are very visible. It comes with the territory.

Life on earth in a time when people lived farther apart than we do, and closer together.

The motivated individuals who manage this vital First City operation not only live in an *ambience* of calculated risk; they thrive on it. In a division dominated by numbers, technical jargon and abstraction, the important thing is not to forget that the center bearing of the business, the jewel of the movement, is people. They are the source of the correct ideas, instincts, talents and actions which, put together, make a successful team. So, first priority in 1981 is the continued development of expertise in each staff member at every level. Logically, this also means a conscious effort to give people responsibility commensurate with their full potential.

There's little room for surprise in a profit center's statement of objectives. It is, however carefully and imaginitively phrased, to provide a significant contribution to the bottom line. In addition, our 1981 goal is to expand our potential as a resource base for other divisions within the company; for example, in pin-pointing cost of funds and providing economic research.

With a proven track record in the traditional investments areas of money markets, stocks and bonds, in 1981 we plan to heighten our activity in the unconventional investment sectors such as private placements and options which we successfully breached in 1980.

The Canadian economic outlook for 1981 does not appear particularly promising given the expected continuation of high levels of interest rates, unabating inflationary pressures and growing budgetary deficits. The slow economic growth being forecast on the international scene will add further pressures on the export markets despite the favourable exchange rate.

The general economy has shown resiliency in operating under these adverse conditions. Voluntary Central Bank bank activity aimed at curbing consumer credit demands and general inflationary trends has been, to date, almost totally ineffective. Slow economic growth and high unemployment failed to encourage the necessary restraint on wage demands, while government capital spending continued to trend upwards. Major new capital spending has been postponed due to the high cost of borrowed funds. 1981 is expected to see more of the same. Inflation should rise to between 10% and 12% with food, energy and labour costs all at double-digit rates. There will be little or no real GNP growth and current trade balances are not likely to improve.

What people aspire to says a great deal about their value systems, even if their goals are not achieved.
— E. B. White

The focus of the investment community in Canada will remain on the state of the U.S. economy. The newly-elected administration is apt to bring forth several major policy changes primarily affecting taxes and government expenditures. Unfortunately, the overall impact of these changes on GNP growth during the year will probably be marginal. Of major consequence, however, will be the anticipated impact on the long-term debt and equity markets which have traditionally moved well in advance of cyclical business swings. Prospects for higher bond and equity price appreciation towards the latter half of 1981, therefore, appear good. Initially, the fixed-income markets will likely be slow to respond to the signs of an economic turn-around, due to numerous bear traps and false rallies that have occurred throughout the past year. This cautious and somewhat negative attitude is also justified given the nominal real rates of return available in the marketplace today.

Money used to talk. Now, it stutters. The good old days were when you dreaded going to the dentist, not the supermarket. It's no time to think about that now. Time flies and it's up to us to be the navigator. So our resolve is to stay on our feet and go forward because, like the Olympic rowing team, the moment we sit down we'll start going backwards.

Corporate Planning

In baseball the idea of pitching is to keep ahead of the batter, to make him hit *your* pitch. That's the job of the Corporate Planning group: To stay on top of the market; to maintain control; and, to provide insight so that we can act, not just react. Today's the tomorrow you worried about yesterday. Corporate Planning is the designated company worrier.

The task of the corporate planning process is to develop a plan to achieve the three main goals which Arnold H. Jeffrey outlined in an interview with the *Globe and Mail:*

☐ a return on shareholders' equity of 20% per year

☐ a return on assets of 0.85%

☐ asset growth at a rate of $500 million a year by 1982

One of the key precepts of establishing corporate planning capability is objectivity. The rest of the company's components are so deep within their own environment that they can't see its content. They cannot recognize the obvious. It's the old truth: We don't know who discovered water but we're pretty sure it wasn't the fish. To begin the search for water four primary responsibilities have

The greatest happiness of life is the conviction that we are loved, loved for ourselves or rather loved in spite of ourselves.
—Victor Hugo

been assigned to Corporate Planning:

- ☐ develop and implement a strategic planning system
- ☐ introduce a more highly computerized asset/liability matching planning and control system
- ☐ conduct merger and acquisition studies
- ☐ special studies as assigned by the President

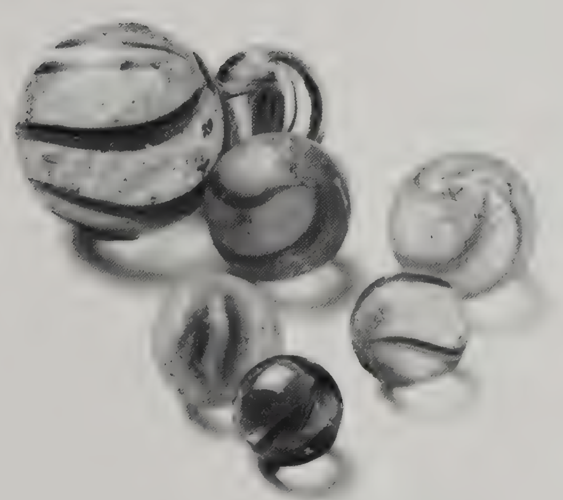
The last few months of 1980 were spent putting the right people in place to ask questions about our corporate direction in 1981 and beyond. In that short time the group has cut its teeth in several areas and laid the foundation for extended activity in the near future. Ongoing projects include:

- ☐ a major study of branch deposit liability production over the past 7½ years
- ☐ development of soundly based deposit liability forecasts for the 1981 operating budget
- ☐ development of a financial model
- ☐ core income and expense analyses
- ☐ analyses of major segments of First City's product mix and the feasibility of new products
- ☐ participation in branch location studies
- ☐ development of an upgraded cash flow forecasting system

The most critical area will be a comprehensive approach to improve our long-term profitability by identifying opportunities, allocating resources and organizing for intermediate and long-range action. The successful implementation of the system will enable us to anticipate problems and grasp opportunities by allowing sufficient time for an appropriate course of action to be developed. In other words, corporate planning involves the structured, objective making of choices that will determine our future.

The challenge will be to retain the strength provided by our entrepreneurial style in the past, provide planned direction and incorporate modern management techniques and systems. The process will give senior management a clearer view of the future.

Nice work if you can get it. Our group is stimulated by the promise of the challenge and involvement. Our "Out to Think" signs are ready. The excitement reminds one of when the family decided to go to the amusement park. Only in this case, it's going to be a roller coaster ride for the mind.



I think there is no hope for any of us if we grow up all the way. If we are singularly lucky, we have children who are willing to make us remember, if we are willing to remember. If not, it's a lot harder.

Mortgage Banking

There is an unusual Japanese book titled, "How to Wrap 5 Eggs," which deals with another time in that land when quite ordinary day-to-day food products were packaged by hand into practical but delicate works of near-folk art quality. While the mortgage packages sold by our Mortgage Banking Division are of quite another order, there is a similarity: Our packages, like the five eggs of the book title, are carefully put together. The contents are of real value and they are ultimately profit-makers.

First City's Mortgage Banking provides investment services to domestic and non-resident institutional and private investors. Basically, our product is sold to customers who are looking for a silver lining without a cloud.

1980 was notable for sudden and wide interest rate fluctuations. At times, maneuvering in that environment was like trying to play pro basketball on one leg. It is, therefore, noteworthy that total sales of NHA and PMI mortgage packages exceeded $80 million, an increase of 60% over 1979. Simply adjusting your game to the court can make all the difference.

Our fully in-house computerized mortgage portfolios administered for Canadian, American and European institutional investors reached a total of $300 million in December, an increase, net of maturities and redemptions, of 20%. Our servicing income on investor portfolios reached $1 million in December.

To fill our institutional investors' demand for varied term mortgage loans in 1980, we introduced a new origination program for NHA residential mortgages with 1, 2, or 3 year terms. This program has met with success; at year end orders from our clients were in excess of $10 million.

Syndication and participation of longer term rental and commercial projects, although relatively dormant in 1980, were highlighted by a number of completed projects in Western Canada and Ontario. With the extension of the MURB program, we anticipate much greater activity in 1981.

We thought that tertiary market activity, the purchase and resale of large mortgage portfolios, would be quite pronounced in 1980. It was. Our instant on-market bids for our existing portfolios received an excellent reception from our clients. The outlook for this phase of our business looks promising for 1981.

Individual investors were active in 1980, purchasing our Certified Payment Plan mortgage portfolios. This plan, for portfolios under $200,000, provides a full monthly remittance to the investor regardless of arrears, as well as a detailed monthly statement.

By the time a man realizes that his father was usually right, he has a son who thinks he's usually wrong.
—Quentin Crewe

Here's a look at 1981 through the viewfinder. There will be an emphasis on:

- ☐ origination of mortgage loans of various terms for 1 to 5 years to accommodate the needs of institutional clients in the continuing uncertain interest rate climate
- ☐ more attention dedicated to the syndication and participation of longer term loans to meet the anticipated increase in demand for income and commercial projects from our institutional clients
- ☐ increased effort towards providing quality investment opportunities suitable for pension funds
- ☐ seeking out attractive direct real estate property investments for our clients who are becoming more active in this growing segment of the market

At the beginning of 1980 the consensus among most mortgage bankers was a muffled chorus: "Is anyone here named Socrates?" But that was overly pessimistic. Looking at the world only through the bottom half of bifocals, one loses the sense of proportion. Our mortgage banking group more than held its own last year. We prevailed in a tough time simply by remembering what every family that has come through hard times knows: Socks were invented in the 5th century A.D. by the Egyptians; all you have to do is learn to pull them up.

First City Realfunds

Remember the good old days when the family only had one car? When cars couldn't stop on a dime, but they could run on one? Things have changed. Family homes have gone up and so have mortgage rates. Our primary goal in the financial services market is to help people secure the extra financing they need to acquire a home. Often such items as down payments and closing costs may strain their ability to pay even though the necessary monthly payments are within reach. During these periods of high interest rates there is a definite advantage for the home buyer to be able to assume an existing first mortgage and make up the balance of the financing with low second mortgage payments. The effect is a borrowing cost lower than that of a new first mortgage.

A second important area of Realfunds' business is in the personal finance field. As current home values continue to rise, homeowners find that their home equity value has gone up considerably and this appreciation can be used as a source of ready cash for home improvements, recreation and business ventures, or simply to condense existing debt.

The family is one of nature's masterpieces.
—George Santayana

Again 1980 proved that First City Realfunds' major sales advantage (same day service) combined with the lowest cost form of advertising (word of foot) works with authority: Funding for the year reached $46 million, an increase of 285% over 1979 fundings.

Realfunds' portfolio is distributed among four offices:

City	*% of Portfolio*
Vancouver	40
Calgary	40
Edmonton *opened July 1980*	6
Toronto	14

At the end of December 1980, Realfunds' portfolio consisted of 3,333 loans for $58 million. Prudent advances to current value, taking into careful consideration the inflationary real estate market in the urban centers, together with a strong emphasis on the credit-worthiness of the borrower resulted in a rare accomplishment: a virtually delinquency-free portfolio. In fact, to date we've never experienced a loss.

Our projections for 1981 call for funding of $51 million, bringing total portfolio size, depending on pre-payments, to nearly double at $95 million.

The circumstances of the present economy are not ideal for most segments of the business community. Yet, they do present opportunities to our Realfunds organization, ironically as a counterbalance. The Chinese say there is a time to fish and a time to dry nets. You can be sure we will be on the water in 1981.

Mindful that we are in a marketplace which demands nimble minds and feet, we will explore some new avenues of profitability in 1981:

- ☐ a second mortgage banking service for the small to medium investor who may wish to buy our product for his personal investment portfolio
- ☐ group credit or life insurance which will be competitively priced and make our product more attractive to the home buyer

The lessons of the past two years are not lost on us. Ours is not a complex, technical service. The reasons for our success are clear: We enjoy our work and, most important, we know that delay is the deadliest form of denial. To sustain our success and achieve our goals we will have to be able to turn on a nickel and give change. We look forward to that task with the same excitement we used to harbour on the morning of a family picnic.

There's something alive about a kitchen, the way it smells and sounds and feels.

First City Development Corp. Ltd.

At the beginning of 1980, portents of a sluggish real estate economy afflicted by incendiary prices and surging inflation resulted in a broad based slowdown which could have dictated that First City's real estate family of companies complacently accept the classic invitation, "You are cordially invited to stay home." And why not? Sitting it out had wonderful logic. 1980 was not prime time. Why go through the exquisite pain of going all out and losing? Inflation meant impossible interest rates. Real estate sales harkened back to the old tune, "Blue Turning Grey Over You." Inflation created a true democracy: For the first time in history, luxuries and necessities were selling for the same price. That time-honoured ritual of the business community, "happy hour," was now only 5:00 to 5:30. Our children now play monopoly with credit cards.

Gloom and doom-sayers notwithstanding, First City Development did not join the rest of the real estate world on the sidelines examining its own fingernails. As much as we hated the perceived reality, we were tough enough to accept the truth: The battered and dangerous marketplace was still the only place to get a steak.

Before citing chapter and verse about how we fared on that high wire called 1980, let us describe the nature of the family real estate business called First City Development Corp. Ltd.

FCD, as it is called, is a fully diversified real estate company engaged in land servicing and development, home building and condominium conversions, income property development and income property management. In addition, it enters into equity financing arrangements with real estate developers. Geographically, its involvements and operations span the North American continent coast-to-coast, in both the U.S. and Canada, with specific emphasis on the west coast of the U.S. and the sunbelt areas of the southeast and southwest. What follows is a brief description of the activities of First City Development and its constituent entities.

Despite the difficult environment alluded to above and proving that attitude is more important than fact, First City's real estate holdings continued to grow both through corporate acquisitions and internally generated activity during 1980. The most significant event of the year was a corporate reorganization which put together First City Developments Ltd. and Roxboro Realty Corporation Ltd. (Roxboro) to create First City Development Corp. Ltd. This reorganization brought real estate and investments owned privately by a major shareholder, through Roxboro, into the First City Group. It involved an exchange of shares of First City Financial Corporation Ltd. for shares of Roxboro. The assets acquired through Roxboro include a 50% interest in State Mutual Investors, Inc., a diversified real

Where we love is home,
home that our feet may
leave, but not our hearts.
—Oliver Wendell Holmes

estate company with consolidated assets in excess of $140,000,000 (US). These assets include interests in Southern California which were augmented in November when the company acquired a 71% interest in the Mayer Group, a Los Angeles development company. Other properties acquired as a result of the reorganization include the new 162 room Bel-Air Sands Hotel, as well as a 50% interest in the 225,000 square foot Union Bank Building. Both properties are located in Los Angeles, California.

Other corporate acquisitions completed in early 1981 included a successful cash tender offer which resulted in the acquisition of 82% of the outstanding shares of the Denver Real Estate Investment Trust at an approximate cost of $33,500,000 (US). In addition, a subsidiary has agreed to purchase 49% of the outstanding shares of Clarion Capital Corporation at a cost of $3,187,000 (US). This transaction is subject to regulatory approval which is expected imminently.

The Denver acquisition brings 16 choice income properties into the group, at a total value of approximately $70,000,000 (US). The properties are located principally in Denver, Colorado, and include: the 600 room Stouffer's Denver Inn; the Lakeside Mall, a 555,000 square foot regional shopping center; 5 office buildings, 2 apartment buildings and 6 industrial/commercial buildings.

Clarion Capital Corporation is a venture capital corporation which makes equity investments in a broad range of industries including electronics, communications and real estate.

Canadian Operations

Citrust Division

It has been said that the composer Wagner had wonderful moments, but awful quarter hours. Some of our finer moments were conducted by this Division, operating chiefly in Vancouver, Canada. Citrust experienced a buoyant market in 1980 as a result of rapidly escalating land prices in that city. We fully expect 1980's bright performance to continue into 1981 with some stabilization of prices. Major development programs in Vancouver include the refurbishing of a recently acquired office building at 777 Hornby Street. This building, which bears the "First City" name, is a 20 storey office tower located in the downtown core, and will house the head office and regional office staff of the entire First City Group which has grown to 800 employees. Another Vancouver project includes the construction of 325 garden court apartment homes in Richmond, B.C. It's gratifying to observe here, that, in scanning the horizons for business, we have not overlooked our own backyard. "Look homeward angel" is probably sensible advice.

Each of us needs a sense of where we belong.
—Hal Stebbins

Consolidated Building Division

This branch of the FCD family in the greater Toronto region of Ontario is principally in the land development and income property management business. It currently owns directly or through joint ventures approximately 1,370 acres in this marketplace. Although the general Toronto real estate market has been slow, lot sales at Heart Lake, a planned community development in a suburb of Toronto, were steady during 1980. Early 1981 indicators suggest this sales pace will improve.

Other land holdings include the Peel and Brooklin joint ventures, long-term developments currently in the re-zoning stage, located in the broader communities of Mississauga and Oshawa. We believe that during the current year the Toronto area will be restored to its accustomed place as one of the real estate *sweet spots* in Canada.

First City Investments Division

One must drink tea from an empty cup. At the end of 1979 the economic pundits sang the same song in unison. The words and music made the 80's look as good as the 30's. Lowered expectations seemed the watchwords for 1980. But like its real estate counterparts in the First City family of companies, First City Investments elected not to act like that little boy staring out at life from the safe distance of his window. That refusal to be overwhelmed by external conditions, that enduring unwillingness to let others determine its future explains the reason for First City Investments' outstanding performance and resulting profit contribution.

A Division of First City Development Corp. Ltd., First City Investments focuses its activity on four broad areas of real estate investments: joint venture and equity financing; merchant banking; interim financing; and, direct development.

We know now that 1980 was not an empty cup. Still, each project demands the utmost care, detail, flexibility and above all, creative solutions. Husbanding a transaction through the labyrinth of passages to final successful closing is a bit like watching a print being developed in a dark room . . . bobbing in the solution out of darkness and shadow, then into light, into sharpness. Speed in this competitive field must be tempered by a delicate touch; as in handling an egg, you know that as soon as you pick it up the chances of its cracking increase a hundred-fold.

Here, with a minimum of eggshells, is a report on 1980 Divisional performance. The total volume generated by First City Investments, including joint venture loans and business developed for First City Trust, amounted to over $80 million. The greater portion of these new loan commitments came from expanded activities with existing clients, which was one of our stated objectives at the beginning of the year. Total assets increased by approximately 35% to $58 million.

The shortest and surest way to live with honour in the world is to be in reality what we appear to be.
—Socrates

Like any specific transaction, a whole marketing year is put together like a collage. Here are, operationally, some of the key elements of 1980:

- ☐ major growth in new projects with existing clients
- ☐ Narod Developments, 50% owned by First City, added to our direct development agenda through a number of major developments in the Vancouver and Seattle areas. These projects include an office building at Howe and Hastings Streets in Vancouver, a major residential condominium and office development in the Fairview Slopes area, as well as several substantial commercial and residential projects in the Seattle area
- ☐ without question, one of the major accomplishments in 1980 was the expansion of one of our joint ventures, Pacific Bellevue Developments. Formed in late 1978 and based in Seattle, the company operates on both sides of the border. Through this joint venture, we successfully completed two suburban office developments in the greater Seattle area, as well as started the development of a larger medical office condominium project at Broadway and Laurel Streets in Vancouver. In fact, much of the space in this building has already been pre-sold. One other positive aspect to this joint venture is its considerable contribution to our land bank in greater Seattle
- ☐ we were involved in substantial direct development activities resulting in the commencement of a number of small commercial projects with excellent leasing results

We have no reason to think that 1981 will be much different from last year. We'll have to continue to approach the marketplace aggressively, but with caution and patience, much like one approaches a broiled lobster: We expect to have to pick through a lot to find the meat. But, it will be worth it. Realistically, we don't expect the actual number of new projects to increase in 1981. Our emphasis will be on larger projects with first class development partners, particularly with our existing customers. In our search for new quality clients we will be focusing on the potential for successful long-term relationships. Time and again, harmony of purpose and the ability to work together has seen us through. We want to work with each other and our clients with the same kind of down-to-earth good cheer, stubborn creativity and above all, realistic optimism that exists in every strong family.

Integrity has no need of rules.
—Albert Camus

Villa Properties Limited

Villa Properties Limited centers its business activities largely in Ontario and Florida. Traditionally, Villa has been a developer of shopping centers and freestanding commercial sites. During 1980 it sold 5 developed centers in Ontario as well as a commercial site in West Palm Beach, Florida. 1981 plans for Villa include an increased level of activity in the Florida market (befitting the images conjured up by the name *Villa*) with special emphasis on both commercial and residential development of ocean front and inner-coastal waterway properties.

U.S. Operations

Metropolitan Development Corporation

There are 336 dimples on a standard golf ball. The home building business is a little like being a tiny organism trying to travel around the ball without falling into one of the "dimple" craters. Metropolitan, which operates principally in the home building business, was adversely affected by the past year's fluctuating interest rates. During the period 463 homes were sold and delivered for a total sales volume of $34,000,000 which represented a 50% decrease over the previous year. However, the company was well positioned for this down-turn, particularly in the Las Vegas market where the company significantly increased its market share. It is now the largest single home builder in southern Nevada.

Metropolitan's leadership in the marketplace is attributed to its consistently innovative concepts in housing. The company received the coveted Grand Gold Nugget Award at the Pacific Coast Builders' Conference in June 1980 for producing the best single-family home in the thirteen western states.

As Metropolitan enters the new year it has an inventory of land on which over 6,000 new homes may be built. This inventory includes: approximately 2,078 approved lots in 9 subdivisions in Las Vegas; 184 approved lots in the Phoenix area; and, approvals for over 400 lots in its master planned community of Oak Park, California. The company expects to achieve sales at the 700 unit level in 1981.

First City Equities

Inflation is so much on everybody's mind and so insidious that it seems the only way to cope with it is to laugh. With recent U.S. postal increases, there's talk that the next step will be putting glue on the back of the dollar bill.

First City Equities operates principally in Seattle, Washington, and the surrounding northwestern United States where it is involved in shopping centers, land and condominium development and inflation. Despite rising costs, plans were

Making things for themselves required considerable time and patience. A finished handmade birdhouse was for more than attracting birds. It was for being proud of when it was finished.

completed this year for the construction of a 33 storey, 141 unit, luxury condominium tower, First Hill Plaza, in downtown Seattle, which is to be completed in 1982. The company acquired a number of development parcels in 1980, including 155 acres of land for residential development in Olympia, Washington, and 15 acres on the Sammamish Plateau outside of Bellevue, Washington, for the development of a 100,000 square foot neighbourhood shopping center. In addition, the 100,000 square foot Meridian Shopping Center developed by the group will probably be expanded this year.

First City Developments Corp. of California

This company commenced work on two new projects in the southern California market during 1980, a remarkable feat, since the market in this popular area is so crowded that developing business is like trying to play a trombone in a phone booth. The first is a proposed 473,000 square foot office plaza located in downtown San Diego. This project is in the preliminary planning stages and is scheduled for completion in 1983. The second project, CenterPoint, consists of a 60 acre master planned/mixed use commercial development. In addition, the company is proceeding with the first phase of development at Indian Hills, a 235 acre residential site in the Simi Valley, a joint venture with the Mayer Group, Inc.

First City Developments Corp. of Boston

First City Developments Corp. of Boston substantially completed the conversion of a 175 unit apartment building to condominium homes during 1980 and contracted to buy the prestigious Harbor Towers complex on the waterfront in downtown Boston. This latter purchase consists of 624 apartments in two identical 40 storey towers, containing approximately 675,000 square feet of living area. The complex also includes a 1,600 car ramp garage which independently services the Harbor Towers apartments, as well as the immediate downtown area. Anyone who has tried to drive a car in Boston knows that a garage is one of the few safe havens available there.

State Mutual Investors, Inc.

One of the worst things that can happen is to be a nostalgia buff with amnesia. The same applies if you're in the real estate business without a product. That definitely is not the case with this 50% owned public company, formerly a real estate investment trust established by State Mutual Life Assurance Company of America. It manages a mortgage portfolio and is actively developing certain real

A dog teaches a boy fidelity, perserverance, and to turn around 3 times before lying down.
—Robert Benchley

estate holdings including a 264 acre residential development known as the Hunt Club in San Juan Capistrano, California. It is also developing for re-sale an office/industrial park in Anaheim, California, which on completion will consist of 13 offices, 5 industrial and 6 Research and Development buildings.

State Mutual's most significant investment is the ownership of a 71% interest in the Mayer Group, Inc. which was acquired in November 1980. This company has real estate assets with a book value of approximately $95,000,000 (US). It builds single and multiple family *for sale* housing, as well as rental apartment complexes and government assisted housing. In 1981 it expects to deliver 500 units in the southern California marketplace. The Mayer Group also specializes in the acquisition and development of income properties for syndication to investors. In these situations, the company's Property Management Division generally manages the ongoing rental operations on behalf of investors.

Operating Strategy and 1981 Outlook

We expect 1981 to be another year of unstable interest rates and spiralling costs which will undoubtedly have a negative effect on real estate sales. The outlook is for the kind of difficulty and challenge characterized by Willie Stargell's eloquent comment, "Hitting Sandy Koufax was like trying to drink coffee with a fork." To offset these effects the company will concentrate on implementing creative financing programs designed to reduce financing costs for both interim and permanent borrowing. The group will continue to focus its activities in the west coast cities of Vancouver, Seattle and Los Angeles, as well as the sunbelt states of Nevada, Arizona, Texas and Florida. Emphasis will be placed on projects which have a short-term development cycle of three to five years; therefore, acquisitions will be made in prime locations that are ready for servicing and construction.

Our attitude, one-third of the way into 1981, is reflected in the point made by many a father to his children in front of the family TV set as they all watched Pele, the great soccer star even in his last year of competition: What was admirable in that man was his sincerity, integrity and dedication to the game. Never giving up, never coasting, trying harder than a rookie. Nobody did it better.

My mother's love for me
was so great that I have
worked hard to justify it.
—Marc Chagall

Human Resources

What makes First City different is its family of employees; its pool of human resources. The routine exodus of employees down the elevator each late afternoon takes on more significance when one realizes that the total know-how, energy and talent represented in those people leaving for the day are the key resources of the company. The Human Resources Division is the group entrusted with the finding, development and care of the company's work force.

The Division was formed in early 1980 with the specific objective of avoiding the traditional, passive, caretaking stereotype of a corporate personnel department engaged primarily or exclusively in recruitment on order, making up paycheques, filing medical claims, putting on perfunctory training events and occasionally providing a willing shoulder to unhappy employees. Under its broad new charter, the goal of this Division is to assume an *active* leadership and educational role in tune with the short and long-term goals of the company. Like every other Division in the company, the purpose of the Human Resources group is to make a contribution to profit. In this case, to reinforce a simple equation: A happy, well-paid employee is a productive employee.

In 1980, with a group that grew from five people to twelve and under new professional leadership, the reorganized Human Resources Division tackled a number of major programs:

- ☐ in-depth examination of the company's compensation practices
- ☐ elimination of pay inequities
- ☐ reset pay levels to ensure placement of all jobs in the top quarter of the financial industry
- ☐ introduced a standardized method of job evaluation
- ☐ established corporate salary administration policies and procedures

That was not all. Other 1980 activities focused on: employment and recruitment; training and development planning; records administration; and, employee communications improvement. Expectations are that these areas of work will carry over into this year as well.

1981 objectives of the Human Resources Division include:

- ☐ integrating all subsidiary employees into the job evaluation system to ensure competitive pay scales
- ☐ updating and integrating all First City Canadian companies into a comprehensive job evaluation program
- ☐ continuing efforts to improve the performance of the employment area with particular emphasis on attracting and retaining productive employees
- ☐ establishing an employee orientation program

Never bend your head.
Always hold it high.
Look the world straight in the eye.
—Helen Keller

- ☐ implementing training and development programs with special attention on leadership skills, customer service and improved selection and interviewing abilities
- ☐ sharpening internal communications effectiveness
- ☐ making use of data processing to improve information storage for the Division
- ☐ integrating human resource planning and development activity with strategic planning as it effects organizational development and the management of change

To take on the workloads implicit in these activities two new managers have been added, one each in training and development, and employment and compensation.

The 1980 and 1981 Human Resource agendas, so to speak, are but two steps in a long process. An old Japanese proverb states simply: The crane takes nine steps before it flies. Our aim, ideally, from a corporate standpoint? Perhaps appropriately Japanese, as well. In Japan, when a worker is asked what he does for a living, he generally tells you he works for Sumitomo or Mitsubishi or Matsushita. It takes a second question to find out that he is an engineer, an accountant or a chemist, which in our experience is the first answer you get from a Canadian. It would be immensely gratifying for our Division to play a large part in creating a highly motivated team-spirited work force that identifies with the fortunes of First City to the extent that the company's success is the employee's success. To be sure, that, to a large degree, will depend on our skill in establishing a work ethic rooted in the belief that happiness in one's work comes from pride.

What we have presented here is like dipping a thimble in the ocean. So much lies before us in Human Resources, one of the most important and challenging corners of the corporate family-house. First City is very close to being 20 years old. It's no longer acceptable, if it ever was, to say, "When you've got a horse that's running well, you don't stop to give him sugar."

It's an enlightened body of employees in today's world. The old annual reports used to say in effect: Our people are alive and well and getting paid. That's not acceptable anymore. We at First City recognize our obligation to improve the quality of the work life; to be sure that for our staff, time is not just "the stuff between pay days"; to be outraged that, for all the cosmetics of steel and glass, carpets and corporate art, it is amazing how many jobs in 1981 are exactly the same as they were in 1900; and, to work towards ensuring our own employees an escape from the hum-drum. The work environment should be so stimulating that it eliminates that unspoken tragedy in today's workplace . . . the employee who retires on the job at 35.

The most valuable gift
you can give your family
is a good example.
—A.Y. Sean

We are not there. We cannot claim to be ideal employers. But we are committed to meeting the employee halfway and more, because we take the idea seriously that our people spend one-third or more of their days in a world we provide as a form of extended family. This is a responsibility which can best be met by managing our people as what they are: an asset; encouraging our people's productivity by trying to understand what motivates them; by instilling in them a sense of pride in their work; in short, by helping our people learn to make a life *and* a living. We still believe in loyalty and believe we can earn it through treating our employees as family.

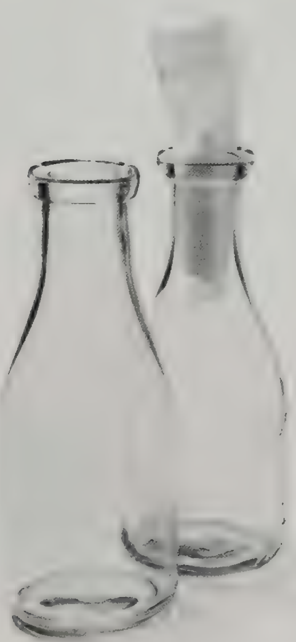
Finance and Administration

Observing the hyperkinetic activity of the Finance and Administration Division reminds us of watching the family cornpopper at work. There's no way one can follow everything, but the results are well received.

Running a trust company on a scale such as ours without a strong, organized, controlled approach is something like grappling with a bar of wet soap. Getting a handle on things is vital because the only things that evolve by themselves in an organization are disorder, friction and malperformance. The task of the Finance and Administration Division is simple: To maintain order, establish financial, and budgetary controls, provide management information, analyze, manage paper flow and handle customer service. You can see that running this group is like being a masseur for a Sumo wrestler: You really have your hands full.

Unless one starts with high calibre people, one will only flounder towards confusion. In the past year Finance and Administration significantly upgraded the technical expertise and knowledge of its staff. The introduction of the new IBM computer equipment, in large measure, required a complete re-education of all Data Processing programming and operations staff; upgrading them from working in a mini-computer environment to the level of expertise required to operate a medium-scale computer. In addition, the Finance area has undertaken staff training and development in order to implement a new on-line computerized Financial Management and Reporting System together with an on-line Accounts Payable System.

To efficiently process the continued growth in Deposit Liability Products and to continue to exercise strict control over First City's operations, extensive staff recruitment was conducted in Accounting, Data Processing and Office Services.



When you walked up onto the porch: "Light and come in. Come in and set a spell."

And when you left: "Come back when you can stay longer."

We recognize that information is not data; it is an asset. During the year we began installing an advanced on-line computer Financial Management and Reporting System. This new system handles the diverse requirements of the two major operating sections of First City, that is, the Trust and the Development companies. It will be used for all financial accounting, statutory reporting, foreign currency conversion and consolidations for the many operating entities of the group.

This new system was first used in the preparation of the 1981 budgets. This was followed by the conversion of our complete financial accounting and reporting system on January 1, 1981 for First City Trust, First City Capital, First City Mortgage and First City Financial.

In addition, a major conversion program to move the Deposit Liability Products from the Microdata computer equipment to the new IBM system was started. The next item was the conversion of the RRSP and GIC products.

In addition, we now have a new short-term GIC system to handle GIC's issued for less than one year. This procedure was coordinated with the introduction of a new Branch Daily Batch Accounting System. Both procedures have been designed to eliminate time-consuming operations at the savings branches.

1980 also saw the successful introduction of the new IAC, IAC Loan Programs and the First City Mortgage Company Debentures. Complete systems for these programs were also designed and implemented.

Last year the Corporate Systems Department designed and introduced bilingual forms for use in our future savings branches in the Province of Quebec. Also, the year witnessed the preparation and release to the branches of detailed procedure manuals for IAC, IAC Loans, RRSP, GIC, Mortgage Debenture and Loan Programs.

In this day and age most things cost more than they're worth; it's satisfying to find something that's worth more than it costs. The most notable event for the Data Processing Department was the installation of the new IBM 4300 computer simultaneous with the transfer of our Microdata equipment to the new Vancouver headquarters building. It was done without a hitch and without loss of operational continuity.

To satisfy the increasing demands of the development company, a further 4300 system was installed and upgraded later in 1980.

In the Office Services area, a major upgrading of our telephone system was achieved through the introduction of a Centrex operation. In addition, we have installed new photocopy equipment together with an automatic facsimile receiving and transmission facility for communications throughout North America. All of this was done in an effort to keep us one step ahead in a changing world.

The porcupine, whom
one must handle, gloved,
may be respected, but
it is never loved.
—Arthur Guiterman

Major programs for 1981 call for extending the use of the Financial Management and Reporting System into the fields of statutory reporting and corporate planning. In the latter case, Finance and Data Processing plan to work closely with Corporate Planning to introduce an on-line computerized modelling facility. Further computer development will be initiated to complete the conversion of the remaining Deposit Liability Products, that is, IAC, IAC Loans and RHOSP's, to IBM equipment.

In order to cope with the continued expansion of the company, a further upgrading of the IBM 4300 system will provide extended on-line facilities with the ability for remote communication and processing by First City Development's subsidiaries in Toronto and Los Angeles.

All this expensive fiddling, arranging, tightening, discarding, synthesizing and changing will, no doubt, continue. It is done in the belief that we can do better than the norm for most customers in a miniserve world. It is done to insure that, internally and externally, we will never spawn the carousel sensation of going nowhere fast. Mindful that our business is people, not things, we will never allow our fine tuning to reach a point of too much technique and perfection. For in the end, what people admire are performers who can sing the melody and make music, not just demonstrate technique.

Marketing Communications

The man sits there sternly glowering at you, unrelenting and unblinking. He says:

"I don't know who you are.

I don't know your company.

I don't know your company's services.

I don't know what your company stands for.

I don't know your company's customers.

I don't know your company's record.

I don't know your company's reputation.

Now—what was it you wanted to sell me?"

That's the reason why advertising is an indispensible tool for First City. It's also a good summary of one of the many challenges faced by the Marketing Communications Division. Formerly known as Marketing Services, we have changed our name to reflect more accurately our responsibilities. First City takes the position that everything we write or say about ourselves in internal or external communications affects how we are perceived by the various audiences and should in the telling, be selling. Even when what is conveyed is purely informational it is a form of marketing communications.

I have found that the best way to give advice to your children is to find out what they want and then advise them to do it.
—Harry S. Truman

Marketing Communications includes the various persuasive disciplines: advertising, sales promotion, merchandising and public relations. Using these tools, the target for our communications efforts is threefold: the general public, our existing customers and our own employees. To further ensure the concept of one eye, one ear and one voice in establishing the company's public profile, Marketing Communications has full responsibility for all visual aspects of the company's image, including corporate identity, graphics, signage, interior design and architecture.

An example in 1980 for the need to employ this kind of control was the preparation of the new First City Building in Vancouver, now in the final stages of a $2 million interior and exterior remodelling. The cumulative effect of all the elements of design, colour, texture, shape, and size should be one reflecting the First City corporate personality: gracious and self-assured; a combination of yesterday's sense of values and today's vitality.

Contrary to general belief, advertising is much more detail than it is creativity. Perhaps the major difference between this Division and the others is that if mistakes occur, they are likely to be more public.

As one cynic noted, nothing encourages creativity like a chance to fall flat on one's face. But creativity is the raw material that can give a company pace, rhythm and style. During 1980 we continued to develop sales aids and promotional brochures for the various profit centers. Our objective is to imbue our work with a characteristic style: thorough, accurate, readable and memorable. *That* will ensure selling effectiveness. Most distinguished on the project list was a definitive capabilities brochure for First City Capital entitled, "Reflections," which was our best argument for an old proven contention: Trying to sell without effective sales aids is like going for the jugular with an electric razor. To put it another way, well-conceived promotional literature gives you and your company the imprint that Jimmy Durante left on all of our minds forever: He came on stage the way everyone went off. Advertising works because unseen is unsold, whether it be point-of-sale material, an annual report or the signs on our branches across Canada.

In June 1980 we applied our advertising and public relations resources to let Winnipeg know that we had moved to a new home there at the corner of Portage and Smith Streets. Most branch openings are about as interesting as listening to a doorbell. Not First City's. Winnipeg enjoyed it as much as we did. The results showed clearly in deposit figures.

First impressions continued to be made in 1980 through our public relations efforts. Not many companies enjoyed more consistent newspaper and magazine coverage than First City last year. As the saying goes: We seek wisdom, humility and media exposure. Of course, our 1981 public relations efforts will be made in observance of the warning: Quiet people aren't the only ones who don't say much.

For many companies, internal communications is like audible wallpaper: always there, but rarely noticed. The purpose of communications is to make us more human, not less. To that end, we intend to expend as much effort on our internal publications as we do on our other works. To do less would be like throwing water on sand.

One of the best things about a very little child is that he never thanks you for doing things for him—he is so sure you want to.
—Maurice Horspool

We believe that we have staked out a position in the boisterous and noisy financial marketplace of today by not trying to outshout and out push the competition; by being consistently self-assured and adhering to a public image of quality, originality, style and intelligence. That, combined with our proven professional accomplishments, has worked. Our job now is not so much to create an image and identity, but to confirm one. And we can do that by remembering to observe the dangers of promising more than we can deliver and of screaming when a whisper will do.

Over the past three years one thought has stood out as our most important divisional guideline. We can find nothing to supersede it, so we feel it should simply be repeated: Communications can make its strongest contribution by making sure that our audiences, internal and external, know not only where our minds are, but where our hearts are. Is that not the foundation of the *good* family?

First City Capital Ltd.

The first page of First City Capital's sales brochure entitled "Reflections" states, "The analogies between money and water are numerous. Both:

- ☐ are in limited supply and subject to shortages
- ☐ are sources of energy
- ☐ require replenishment and conservation.

Both play an essential role: Life is dependent on water; business is dependent on money."

But there is a difference between water and money: Water doesn't suffer from inflation. Inflation is so painful a fact of our world that only laughter will relieve it . . . A young man in a restaurant booth proposes to his lady friend: "What do you say, sweetheart? Two can tread water as cheaply as one."

First City Capital, the leasing and term lending arm of First City Trust, can hardly be blamed if it feels somewhat ambivalent about inflation. For, with the rise of interest rates (and in the cost of equipment) and the shortage of long-term funds, business decision-makers have turned to leasing in unprecedented volume. This is no longer the eyebrow-raiser it once was; not even the fact that equipment leasing is now an across-the-board financing vehicle, used to acquire costly aircraft by Air Canada, Wardair and Pacific Western and other big ticket items by such companies as Canadian National Railway, Algoma and Stelco.

The reasons? Leasing conserves the users' capital and enhances cash flow by permitting financing of the full cost of the equipment, rather than partial financing from other sources. For other companies, the main benefit of leasing is that the lessee gets the use of the equipment at a rental charge that is lower than the cost of funding outright purchase through a term loan or private placement of securities. The tax benefit (expensing capital cost allowance or depreciation) is passed on to the lessor who, in turn, reflects the use of the tax deferral in lower rentals to the lessee.

Always put yourself in the other person's shoes.
—countless mothers

Other reasons for the appeal of leasing to First City Capital clients include:

- ☐ sheer availability of funds in competitive times
- ☐ preservation of available (and probably spoken for) credit lines
- ☐ allowing the use of equipment without tying up funds
- ☐ acting as a hedge against inflation and obsolescence

The practical validity of these leasing advantages is eloquently capsulized in these First City Capital figures: 1980 sales volume—$54 million. At year end, First City Capital had 3,500 accounts; gross receivables were approximately $100,000,000.

But that doesn't say it all. In 1980, new branches were opened in St. John's, Newfoundland, and Quebec City. Growth made it necessary to move into new attractive offices in Edmonton, Winnipeg, Vancouver, Toronto and Ottawa.

More encouraging than anything else, 1980 saw the further expansion of our vendor (equipment manufacturer) base in the word processing, office equipment and computer fields. Our leadership position in the lease finance industry appeared to gain official recognition in the form of greatly stepped-up interest in and exposure for our organization by the Canadian business press, with special attention being accorded our newly published leasing brochure, "Reflections." During the year, two new Vice Presidents were appointed in Calgary and Ottawa to complement our management team. Our record sales volume was in no small way accounted for by a remarkable statistic: Just a shade under *half* of our sales force attained more than 100% of their sales quotas. It was a phenomenal year.

What about 1981? Plans call for opening branches in Regina, Saskatoon and Halifax. This sales branch growth, along with expansion of our 10 existing branches, will require a 36% increase in our total staff. The successful implementation of computerized invoicing and accounting systems last year brings us to phase two in 1981, the further expansion of the computer system to enhance management information capability.

Our marketing thrust in 1981 will be an extension of what has been a proven strategy, given our resources and experience; a heavy emphasis on providing the best finance-oriented sales aid program to equipment manufacturers and suppliers in Canada. In addition, we are increasing our term lending activity by adding personnel in Vancouver, Calgary and Toronto, and establishing an Industrial Finance Division.

And by what stretch of the imagination does leasing have anything to do with family? Only this: In a close family there is no pretense. Everything is as it is. It's genuine and direct. So it is with First City Capital's business relationships. The whole focus, whether it be among ourselves, between sales and credit or with our customers, is on helping in the most straightforward way possible. That's why, in leasing, we're first in name and in fact.

Do you remember the backyard and the tub of lemonade with the chunks of clear ice floating in it? Do you remember how warm a day it was, in every way a day can be warm? That is what summer was for.

First City Financial
Corporation Ltd.

Financial Statements

First City Financial Corporation Ltd.

Consolidated Statement of Income

Year ended December 31, 1980

	1980	1979
Revenue		
Income from investments	$119,733,000	$ 82,120,000
Real estate sales and property rentals	133,205,000	120,975,000
Other operating revenue	24,556,000	9,977,000
	277,494,000	213,072,000
Expenses		
Interest on customer deposits	107,747,000	69,999,000
Bank, term debt and other interest	18,144,000	13,854,000
Cost of real estate sold and property rental expenses (excluding interest and depreciation)	97,403,000	94,146,000
Salaries and employee benefits	13,482,000	9,418,000
Operating and administrative	16,614,000	13,428,000
Depreciation and amortization	2,887,000	1,650,000
	256,277,000	202,495,000
Income Before Income Taxes	21,217,000	10,577,000
Provision For Income Taxes (Note 13)		
Current	33,000	820,000
Deferred	3,901,000	1,576,000
	3,934,000	2,396,000
Income Before Minority Interest	17,283,000	8,181,000
Minority Interest	2,077,000	2,158,000
Net Income	$ 15,206,000	$ 6,023,000
Earnings Per Share (Note 14)	$2.63	$1.07

If the family does its job, the following imaginary dialogue would be the norm, not the exception:

☐ Oops, I didn't realize you were waiting to pull into this parking spot.

First City Financial Corporation Ltd.

Consolidated Balance Sheet

December 31, 1980

Assets	1980	1979
Cash and Short Term Investments	**$ 63,529,000**	$ 35,232,000
Securities (Note 4)	**255,696,000**	139,232,000
Mortgages	**707,839,000**	627,083,000
Secured Personal Loans	**185,266,000**	21,864,000
Commercial Loans and Equipment Lease Receivables	**102,885,000**	72,282,000
Real Estate (Note 5)	**436,375,000**	277,873,000
Accounts Receivable and Other Assets	**45,464,000**	29,842,000
Fixed Assets (Note 6)	**9,233,000**	6,273,000
Goodwill	**1,834,000**	1,834,000
Total	**$1,808,121,000**	$1,211,515,000

Approved by the Board:

Sam Belzberg David A Croll

Samuel Belzberg
Director

David A. Croll, Q.C.
Director

Liabilities	1980	1979
Customer Deposits	$1,200,691,000	$ 821,986,000
Bank Indebtedness (Note 7)	313,671,000	188,703,000
Accounts Payable and Accrued Liabilities	29,999,000	31,325,000
Income Taxes Payable	242,000	761,000
Due to Related Parties (Note 8)	57,311,000	33,104,000
Term Debt (Note 9)	90,845,000	58,070,000
Deferred Income	1,730,000	1,313,000
Deferred Income Taxes	21,379,000	17,003,000
Minority Interest (Note 10)	21,219,000	22,496,000
	1,737,087,000	1,174,761,000
Shareholders' Equity		
Share Capital (Note 11)	18,989,000	13,714,000
Contributed Surplus (Note 11)	17,402,000	2,591,000
Retained Earnings	34,643,000	20,449,000
	71,034,000	36,754,000
Total	$1,808,121,000	$1,211,515,000

Consolidated Statement of Retained Earnings

Year ended December 31, 1980

	1980	1979
Retained Earnings, Beginning of Year (Note 2)	**$20,449,000**	$15,267,000
Net Income (Note 2)	**15,206,000**	6,023,000
	35,655,000	21,290,000
Dividends on Common Shares	**1,012,000**	841,000
Retained Earnings, End of Year	**$34,643,000**	$20,449,000

Opinion of Independent Accountants

To the Shareholders of First City Financial Corporation Ltd.:

We have examined the consolidated balance sheet of First City Financial Corporation Ltd. as at December 31, 1980 and the consolidated statements of income, retained earnings and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the changes in accounting policies referred to in Note 2 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Deloitte Haskins & Sells
Chartered Accountants

Vancouver, British Columbia
March 27, 1981

First City Financial Corporation Ltd.

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1980

	1980	1979
Sources of Cash		
From operations	$ 24,677,000	$ 12,332,000
Increase in customer deposits	378,705,000	209,941,000
Bank indebtedness	124,840,000	122,454,000
Issue of common shares	20,086,000	78,000
Due to related parties	13,452,000	32,104,000
Term debt—net of repayments	28,163,000	—
Increase in accounts payable and accrued liabilities	—	6,245,000
Other	122,000	—
	590,045,000	383,154,000
Uses of Cash		
Net investment in		
Securities	116,464,000	39,702,000
Mortgages	80,756,000	131,066,000
Secured personal loans	163,402,000	13,539,000
Commercial loans and equipment lease receivables	30,603,000	36,280,000
Real estate	126,394,000	87,619,000
Increase in accounts receivable and other assets	13,746,000	9,833,000
Dividends	1,012,000	841,000
Dividends paid to minority interest	1,921,000	2,033,000
Purchase of additional shares of First City Trust Company	528,000	572,000
Purchase of net assets of subsidiaries—less cash acquired	19,655,000	29,499,000
Redemption of preferred shares by subsidiary company	794,000	1,782,000
Decrease in income taxes payable	519,000	894,000
Fixed assets	3,994,000	4,834,000
Decrease in accounts payable and accrued liabilities	1,960,000	—
Term debt—net of fundings	—	11,338,000
Other	—	542,000
	561,748,000	370,374,000
Increase in Cash and Short Term Investments	28,297,000	12,780,000
Cash and Short Term Investments, Beginning of Year	35,232,000	22,452,000
Cash and Short Term Investments, End of Year	$ 63,529,000	$ 35,232,000

Notes to the Consolidated Financial Statements

December 31, 1980

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation
The consolidated financial statements include the accounts of the company and its 98% owned subsidiary, First City Trust Company and its wholly-owned subsidiaries. Certain of the subsidiaries have a November 30 fiscal year end and have been consolidated as of that date.

The results of operations of the subsidiaries are included in the consolidated financial statements from the respective dates of acquisition or incorporation. Joint ventures and partnerships of subsidiary companies are accounted for using the proportionate consolidation method whereby the pro rata share of each of the assets, liabilities, revenues, and expenses of each venture is included in the consolidated financial statements (Note 12).

Securities valuation
Bonds are carried at amortized cost and shares at cost.

Loans valuation
Mortgages, commercial and secured personal loans are carried at cost plus accrued interest, less repayments and provisions for losses.

Equipment lease receivables including secured finance contracts are carried at cost, net of unearned income and provisions for losses. These receivables are recorded in accordance with the financing method of accounting under which income is recognized on the sum-of-the-digits method.

Real estate
Income properties are carried at cost, including carrying costs capitalized during the development period. A property is deemed completed and operating when 70% rental occupancy is achieved, subject to a reasonable maximum time period.

Housing completed and under development (including condominium housing) is valued at the lower of cost and estimated net realizable value.

Land, other than land held for income property development, is carried at the lower of cost and estimated net realizable value. Land held for income property development is carried at cost.

Foreclosed property is carried at the lower of cost and estimated net realizable value.

The company capitalizes direct carrying costs related to real estate projects including specific interest, property taxes, legal fees, and those general and administrative expenses that are clearly identified with projects. Net rentals from income properties under development and apartments under condominium conversion are capitalized until such time as the property is deemed operating or sold.

Revenue from the sale of housing units is recognized upon meeting the following criteria:

- ☐ construction is completed;
- ☐ the unit is accepted by the purchaser; and
- ☐ the purchaser assumes existing debt obligations related to the unit.

Revenue from the sale of land and income properties is recognized when all material requirements of the sale agreement have been met, when risks of ownership have been passed to the purchaser, and when an appropriate down payment has been received to ensure satisfactory completion of the transaction.

Foreign currency translation
Foreign currency assets and liabilities are translated at the rate of exchange prevailing at the balance sheet date. Revenue and expenses are translated at the average monthly rate of exchange prevailing during the year. Gains or losses from exchange translations are included in income except for those gains or losses resulting from the company's net investment in United States subsidiaries. These gains or losses have been deferred since repayment of the net investment is not imminent.

Other operating revenue
Mortgage processing fees are recognized as income by the sum-of-the-digits method over the term of the related mortgage to a maximum of five years. If the term of the mortgage is one year or less, fees are recognized as income quarterly in equal amounts. Other mortgage fees and other income are included in income as received.

Fee income from real estate equity financing loans is recorded at the time of making a firm commitment to fund a loan. Participation income is recognized as earned and reported by the borrower as stipulated in the loan agreement.

Depreciation and amortization
Operating income properties are depreciated principally on a 4%, forty-year sinking fund basis. The depreciation charge, which increases annually, consists of a fixed annual sum together with an amount equivalent to interest compounded at the rate of 4% per annum.

Fixed assets are depreciated on the straight-line basis over ten to sixty years; leasehold improvements are amortized on a straight-line basis over the terms of the related leases.

Goodwill
Goodwill arising from the 1970 acquisition of First City Trust Company is not being amortized.

2. CHANGES IN ACCOUNTING POLICIES

During the year, a subsidiary company amended a prior allocation of the excess of the cost of shares of a subsidiary acquired in 1978 over the fair value of the subsidiary's net assets at the date of acquisition. Consolidated retained earnings as at December 31, 1979 and consolidated income for the year then ended have been reduced by $622,000 as a result of this change.

During the year, a subsidiary company adopted a new policy with respect to the translation of its investment in U.S. subsidiaries. As a result of this change, consolidated retained earnings as at December 31, 1979 and consolidated net income for the year then ended have been reduced by $294,000.

The above changes have no material effect on years prior to 1979.

3. ACQUISITION

On November 30, 1980, the company acquired all of the outstanding shares of Roxboro Realty Corporation Ltd. ("Roxboro") from its parent company in exchange for 363,636 common shares valued at $20,000,000.

The acquisition has been accounted for by the purchase method and the following net assets were acquired.

Total assets	$36,448,000
Total liabilities	16,448,000
	$20,000,000

4. SECURITIES

	1980	1979
Carrying values		
Government bonds	$ 87,583,000	$ 40,181,000
Preferred and common shares	168,113,000	99,051,000
	$255,696,000	$139,232,000
Market values		
Government bonds	$ 80,353,000	$ 36,248,000
Preferred and common shares	185,066,000	97,773,000
	$265,419,000	$134,021,000

5. REAL ESTATE

	1980	1979
Income properties		
Under development	$ 17,406,000	$ 8,475,000
Operating—at cost less accumulated depreciation of $5,180,000 (1979—$2,980,000)	133,705,000	71,528,000
Housing completed and under development	81,742,000	53,087,000
Land under development and held for sale	165,482,000	109,581,000
Real estate equity financing receivables	29,793,000	26,785,000
Foreclosed property	8,247,000	8,417,000
	$436,375,000	$277,873,000

Depreciation on income properties charged to income for the year amounted to $1,804,000 (1979—$843,000).

Included in the above is an amount of $16,143,000 which represents a subsidiary company's 50.44% interest in a U.S. real estate company acquired as a result of the acquisition of Roxboro discussed in Note 3. The company's interest may be reduced to 45.66% on the exercise of certain options with respect to the 50.44% owned company's common shares.

6. FIXED ASSETS

These assets are stated at cost less accumulated depreciation and amortization of $2,778,000 (1979—$2,019,000). Depreciation and amortization charged to income for the year amounted to $1,102,000 (1979—$836,000).

7. BANK INDEBTEDNESS

	1980	1979
On share investments	$ 76,960,000	$ 19,260,000
On mortgage receivables	4,862,000	2,047,000
On equipment lease receivables	1,975,000	3,732,000
On income properties		
Operating	28,241,000	27,148,000
Under development	3,776,000	2,620,000
On housing completed and under development	27,184,000	29,372,000
On land under development and held for sale	16,639,000	15,393,000
General	154,034,000	89,131,000
	$313,671,000	$188,703,000

The majority of bank loans bear interest at rates which vary with bank prime rate; the weighted average rate at December 31, 1980 was 17.4%.

The share investments loan is secured by specific shares and the equipment lease receivables loan is secured by a $5,000,000 floating charge debenture on the receivables portfolio.

Certain loans are secured by a demand debenture of $100,000,000, providing a first floating charge over all the assets of a subsidiary company, by fixed charges on specific income properties and a mortgage of an interest in a joint venture aggregating $43,637,000 and by a general assignment of book debts. In addition, other loans are secured by specific charges on real estate assets having a net book value of $121,260,000.

8. DUE TO RELATED PARTIES

	1980	1979
Bel-Fran Investments Limited and related corporations	$55,780,000	$31,573,000
Director	1,531,000	1,531,000
	$57,311,000	$33,104,000

Included in the above is an amount of $22,558,000 due April 1, 1981. The remaining amounts have no specific terms of repayment. The total amount bears interest at a weighted average rate of approximately 18%; total interest charged for the year was $7,357,000.

9. TERM DEBT

	1980	1979
Secured		
On operating income properties	$35,500,000	$22,702,000
On housing completed and under development	22,497,000	10,594,000
On land under development and held for sale	27,569,000	18,299,000
Equipment lease receivables—secured debentures	122,000	571,000
Unsecured		
Subordinated notes, Series A	3,000,000	3,500,000
Sinking fund debentures, Series A	2,157,000	2,404,000
	$90,845,000	$58,070,000

Term debt bears interest at a weighted average rate of 11.9%.

Debt on housing completed and under development will be assumed by the purchasers of such units or discharged out of sale proceeds.

Approximate principal repayments on remaining term debt are:

1981	$14,880,000
1982	6,411,000
1983	6,261,000
1984	6,811,000
1985	16,407,000
Thereafter	17,578,000
	$68,348,000

10. MINORITY INTEREST

	1980	1979
Minority interest in a subsidiary company		
Common shareholders	$ 655,000	$ 516,000
Preferred shareholders	20,564,000	21,980,000
	$21,219,000	$22,496,000

11. SHARE CAPITAL

Preferred shares
The company is authorized to issue 1,600,000 redeemable (for the amount paid thereon) exchangeable preferred shares without par value. No preferred shares are outstanding.

Common shares
The company is authorized to issue 16,800,000 common shares without par value. During the year, common shares were subdivided on a two for one basis.

Changes in the issued common shares during the year were as follows:

	Number of Shares	Paid Up Value	Contributed Surplus
Balance, beginning of year	2,805,238	$13,714,000	$ 2,591,000
Exercise of warrants	10,748	67,000	19,000
Issue of shares on acquisition (Note 3)	833,334	5,208,000	14,792,000
Other (Note 16)	6	—	—
Subdivision of shares on a two for one basis	3,649,326	—	—
Balance, end of year	7,298,652	$18,989,000	$17,402,000

Share purchase warrants

Common shares are reserved for issue in respect of:

A share purchase warrant for an officer and director permitting the purchase of shares for $4.00 each to July 15, 1982, at which time the warrant expires. The number of shares that may be purchased in any year is limited to 8,000 shares	16,000
53,151 share purchase warrants issued in conjunction with the 9% sinking fund debentures, Series A. Each warrant entitles the holder to purchase 4 shares at $4.00 each to July 15, 1982	212,604
	228,604

12. JOINT VENTURES AND PARTNERSHIPS

These consolidated financial statements include a subsidiary company's proportionate share of real estate joint venture and partnership assets, liabilities, revenues and expenses as follows:

	1980	1979
Assets	**$116,616,000**	$60,781,000
Liabilities	**67,798,000**	40,728,000
Revenues	**16,703,000**	13,023,000
Expenses	**12,997,000**	12,447,000

In certain joint ventures and partnerships the subsidiary company is contingently liable for its partners' portion of liabilities. The amount of this contingent liability at November 30, 1980 is approximately $110,500,000 against which the company would have claims on the ventures' related assets which in total are sufficient to meet these obligations.

13. INCOME TAXES

A portion of the company's income is tax-exempt dividend income and security gains taxable at capital gains rates; accordingly, income taxes as provided in the consolidated statement of income are less than the amount obtained by applying statutory tax rates to income from operations before income taxes.

14. EARNINGS PER SHARE

Earnings per share have been calculated on the weighted average number of shares outstanding during the year. Prior year's comparative figures have been adjusted for the two for one share split on December 10, 1980.

Fully diluted earnings per share have been calculated on the assumption the share purchase warrants were exercised at the beginning of the year.

Earnings in the amount of $52,000, net of income taxes, were imputed on the assumed funds derived from share purchase warrants at an assumed rate of 12% before tax (1979—12% and $59,000).

	1980	1979
Fully diluted earnings per share	**$2.54**	$1.04

15. INTEREST EXPENSE

In respect of real estate development operations of subsidiaries, interest totalled $35,087,000 of which $10,464,000 was charged to operations with the remaining amount being capitalized. Capitalized interest is charged to earnings during the period and in future periods, as part of the cost of real estate sold and through the depreciation of income properties.

16. RELATED PARTY TRANSACTION

During the year the company acquired certain marketable securities from the company's principal shareholders at the shareholder's original cost. The consideration given was 6 common shares at $24 each and cash of U.S. $8,773,000. The market value at the date of acquisition was U.S. $10,707,000.

□ The mainspring isn't broken. The problem is this speck of dirt. That should do it. Oh, I can't charge you for that.

17. STATUTORY INFORMATION

The aggregate direct remuneration paid or payable by the company and its subsidiaries during the year to directors and to senior officers of the company was $610,000 (1979 — $473,000).

Non-interest bearing loans to three senior officers secured by first mortgages on their principal residences totalled $625,000 at December 31, 1980.

18. COMMITMENTS

The company's premises and certain equipment are held under long-term leases extending for varying terms up to 2059. The aggregate amount of rentals paid during the year was $1,111,000. The aggregate rentals payable under all leases currently in force during the next five years is $4,655,000.

A subsidiary company involved in real estate development has lodged letters of credit aggregating $3,003,000 with municipalities and utilities as collateral for the fulfilment of obligations under certain subdivision agreements.

19. CONTINGENT LIABILITY

A subsidiary company is defendant in an action in the amount of approximately $650,000 alleging breach of contract with respect to a mortgage financing commitment. The company is contesting the claim and has commenced warranty proceedings against others in respect of this claim.

20. COMPARATIVE FIGURES

Certain comparative figures for 1979 have been reclassified to conform with the classifications used in the current year.

21. SUBSEQUENT EVENTS

(a) In January 1981, a subsidiary company completed a cash tender offer of U.S. $37.15 for the outstanding shares of beneficial interest of Denver Real Estate Investments Association ("Denver REIA"). Approximately 900,000 shares (82% of the total outstanding) have been acquired. Denver REIA is an unincorporated Colorado business trust that invests in diversified income-producing real estate. In connection with the offer, another party has commenced an action against the company which claims interference with contract and interference with prospective advantage and recently moved to amend its complaint to allege damages in excess of U.S. $8,000,000 and claim punitive damages of U.S. $20,000,000. The litigation is at preliminary stage. The company and its counsel, on the basis of an analysis of the law of Colorado, as applicable to such cases, and as applied to the facts as understood by the company and its counsel, do not believe that the third party has a valid claim for punitive damages and believe that a better-reasoned analysis of the law and cases should lead a court applying Colorado laws to deny any recovery to the third party of the claims asserted.

(b) In January 1981, a subsidiary company agreed to purchase for cash of U.S. $1,200,000 and promissory notes of U.S. $3,187,000, 49% of the outstanding shares of Clarion Capital Corporation ("Clarion"), a company with assets in excess of U.S. $27,000,000. Clarion is a Small Business Investment Company based in Cleveland, Ohio. The agreement is subject to approvals of government regulatory authorities.

(c) Under the terms of a share exchange offer dated December 23, 1980, a subsidiary, First City Trust Company offered to the common shareholders of Equitrust Mortgage and Savings Company ("Equitrust") one $8 par value, Preferred Share for each share held. As of the close of the offer on February 20, 1981, 1,097,366 or 96.6% of Equitrust's shares had been tendered. First City Trust Company has issued $8,779,000 of preferred shares under the offer.

22. BUSINESS SEGMENT INFORMATION

Operations and identifiable assets by industry segment are as follows (in thousands of dollars):

1980	Financial Services	Real Estate	Eliminations	Consolidated
Revenue from third parties	$ 144,289	$133,205	$ —	$ 277,494
Intersegment revenue	405	207	(612)	—
	$ 144,694	$133,412	$(612)	$ 277,494
Net income	$ 10,141	$ 5,573	$(508)	$ 15,206
Identifiable assets	$1,327,766	$480,355		$1,808,121
Depreciation and amortization	$ 632	$ 2,255		$ 2,887

1979	Financial Services	Real Estate	Eliminations	Consolidated
Revenue from third parties	$ 92,097	$120,975	$ —	$ 213,072
Intersegment revenue	423	—	(423)	—
	$ 92,520	$120,975	$(423)	$ 213,072
Net income	$ 3,861	$ 2,585	$(423)	$ 6,023
Identifiable assets	$881,074	$330,441		$1,211,515
Depreciation and amortization	$ 480	$ 1,170		$ 1,650

Operations and identifiable assets by geographic region are as follows (in thousands of dollars):

1980	Canada	United States	Eliminations	Consolidated
Revenue from third parties	$ 199,186	$ 78,308	$ —	$ 277,494
Intersegment revenue	4,194	155	(4,349)	—
	$ 203,380	$ 78,463	$ (4,349)	$ 277,494
Net income	$ 10,366	$ 4,840	$ —	$ 15,206
Identifiable assets	$1,488,737	$374,664	$(55,280)	$1,808,121

1979	Canada	United States	Eliminations	Consolidated
Revenue from third parties	$ 137,128	$ 75,944	$ —	$ 213,072
Intersegment revenue	628	—	(628)	—
	$ 137,756	$ 75,944	$ (628)	$ 213,072
Net income	$ 2,810	$ 3,213	$ —	$ 6,023
Identifiable assets	$1,056,270	$191,826	$(36,581)	$1,211,515

First City Financial Corporation Ltd. and Subsidiaries

Five-Year Summary
(In thousands of dollars except for per share figures)

	1980	1979	1978	1977	1976
Balance Sheet					
Assets					
Cash and Short Term Investments	$ 63,529	$ 35,232	$ 22,452	$ 34,692	$ 19,399
Securities	255,696	139,232	99,530	53,324	52,596
Mortgages	707,839	627,083	496,017	372,538	292,131
Secured Personal Loans	185,266	21,864	8,325	6,998	5,356
Commercial Loans and Equipment Leases	102,885	72,282	36,002	18,424	16,247
Real Estate	436,375	277,873	138,394	12,815	3,088
Other Assets	56,531	37,949	25,719	6,883	7,354
	$1,808,121	$1,211,515	$826,439	$505,674	$396,171
Liabilities and Equity					
Deposits	$1,200,691	$ 821,986	$612,045	$425,541	$338,916
Other Liabilities	402,953	255,206	92,217	26,397	26,023
Term Debt	90,845	58,070	50,337	13,267	9,806
Total Liabilities	1,694,489	1,135,262	754,599	465,205	374,745
Deferred Income Taxes	21,379	17,003	15,611	3,865	3,425
Minority Interest	21,219	22,496	24,735	9,478	3,605
Shareholders' Equity	71,034 3	36,754	31,494	27,126	14,396
	$1,808,121 3.	$1,211,515	$826,439	$505,674	$396,171
Income Statement					
Revenue:					
Income from Investments	$ 119,733	$ 82,120	$ 58,547	$ 44,252	$ 36,412
Real Estate Revenue	133,205	120,975	20,470	—	—
Other Operating Revenue	24,556	9,977	8,165	7,927	6,589
Total Revenue	277,494	213,072	87,182	52,179	43,001
Expenses:					
Interest	125,891	83,853	49,672	34,562	29,305
Salaries	13,482	9,418	5,641	3,452	2,737
Real Estate Costs	97,403	94,146	15,064	—	—
Other Expenses	21,578	17,236	8,980	7,168	5,696
Total Expenses	258,354	204,653	79,357	45,182	37,738
Income Taxes	3,934	2,396	2,787	2,858	2,366
Net Income	$ 15,206 2	$ 6,023	$ 5,038	$ 4,139	$ 2,897
Per Common Share: (after reflecting 2:1 stock split in 1980)					
Earnings	$ 2.63 1.	$ 1.07	$ 0.90	$ 0.88	$ 1.02
Dividends	$ 0.18	$ 0.15	$ 0.12	$ 0.10	$ 0.09
Book Value	$ 9.73	$ 6.55	$ 5.63	$ 4.86	$ 4.64

Financial Statements

First City
Trust Company

Consolidated Statement of Income

Year ended December 31, 1980

	1980	1979
Revenue		
Income from investments	$116,680,000	$ 80,833,000
Real estate sales and property rentals	133,205,000	120,975,000
Other operating revenue	14,344,000	7,896,000
	264,229,000	209,704,000
Expenses		
Interest on customer deposits	107,747,000	69,999,000
Other interest	11,123,000	11,604,000
Cost of real estate sold and property rental expenses (excluding interest and depreciation)	97,403,000	94,146,000
Salaries and employee benefits	13,167,000	9,368,000
Operating and administrative	15,525,000	13,070,000
Depreciation and amortization	2,844,000	1,631,000
	247,809,000	199,818,000
Income From Operations Before Income Taxes	16,420,000	9,886,000
Provision For Income Taxes (Note 13)	4,658,000	2,338,000
Income Before Minority Interest	11,762,000	7,548,000
Minority Interest	143,000	156,000
Net Income	$ 11,619,000	$ 7,392,000
Earnings Attributable to Preferred Shares	$ 1,977,000	$ 2,056,000
Earnings for Common Shareholders	$ 9,642,000	$ 5,336,000
Earnings Per Common Share (Note 14)	$8.28	$4.71

virtues are also accompanied by the quality of charm. Charm is elusive—mostly good manners, and being generous with your good qualities. It's how you affect people.

Consolidated Balance Sheet

December 31, 1980

Assets	1980	1979
Cash and Bank Deposit Receipts	$ 14,306,000	$ 19,253,000
Short Term Notes	45,521,000	15,887,000
Securities (Note 4)	180,248,000	111,127,000
Accounts Receivable	30,230,000	22,885,000
Secured Personal Loans	185,266,000	21,864,000
Commercial Loans and Equipment Lease Receivables	102,885,000	72,282,000
Mortgages	695,210,000	619,163,000
Real Estate (Note 5)	436,375,000	277,873,000
Fixed Assets (Note 6)	9,066,000	6,054,000
Other Assets	13,702,000	6,587,000
Total	**$1,712,809,000**	$1,172,975,000

Approved by the Board:

Samuel Belzberg
Director

Arnold H. Jeffrey
Director

1. Look people straight in the eye—really see them. 2. Pay attention to what people say and remember it. 3. Stop hurrying—take the time to be nice.

Liabilities	1980	1979
Customer Deposits		
Demand and short term deposits	$ 243,323,000	$ 176,263,000
Guaranteed investment certificates	957,368,000	645,723,000
	1,200,691,000	821,986,000
Bank Indebtedness (Note 7)	225,504,000	162,597,000
Accounts Payable and Accrued Liabilities	32,259,000	26,410,000
Income Taxes Payable	242,000	761,000
Due to Related Parties (Note 8)	67,798,000	39,511,000
Term Debt (Note 9)	85,688,000	52,166,000
Subordinated Notes ((Note 10)	3,000,000	3,500,000
Deferred Income	1,728,000	1,311,000
Deferred Income Taxes	21,933,000	16,834,000
Minority Interest	—	1,647,000
	1,638,843,000	1,126,723,000
Shareholders' Equity		
Capital Stock (Note 11)		
Preferred shares	21,799,000	22,706,000
Common shares	2,995,000	2,268,000
Contributed Surplus, General Reserve and Retained Earnings	49,172,000	21,278,000
	73,966,000	46,252,000
Total	$1,712,809,000	$1,172,975,000

Consolidated Statement of Contributed Surplus, General Reserve and Retained Earnings

For the year ended December 31, 1980

	1980	1979
Contributed Surplus		
Balance, beginning of year	$ 3,489,000	$ 3,478,000
Premium on issue of common shares (Note 11)	19,273,000	—
Discount on redemption of preferred shares (Note 11)	113,000	11,000
Balance, end of year	22,875,000	3,489,000
General Reserve		
Balance, beginning of year	2,250,000	2,000,000
Transfer from retained earnings	250,000	250,000
Balance, end of year	2,500,000	2,250,000
Retained Earnings		
Balance, beginning of year (Note 2)	15,539,000	11,020,000
Net income	11,619,000	7,392,000
	27,158,000	18,412,000
Transfer to general reserve	250,000	250,000
Dividends		
Common	1,134,000	567,000
Preferred	1,977,000	2,056,000
Balance, end of year	23,797,000	15,539,000
	$49,172,000	$21,278,000

Opinion of Independent Accountants

To the Shareholders of First City Trust Company:

We have examined the consolidated balance sheet of First City Trust Company as at December 31, 1980 and the consolidated statements of income, contributed surplus, general reserve and retained earnings and of changes in cash for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1980 and the results of its operations and the changes in its cash for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the changes in accounting policies referred to in Note 2 to the consolidated financial statements, on a basis consistent with that of the preceding year.

Deloitte Haskins & Sells
Chartered Accountants

Vancouver, British Columbia
March 4, 1981

First City
Trust Company

Consolidated Statement of Changes in Cash

Year ended December 31, 1980

	1980	1979
Sources of Cash		
From operations	$ 19,836,000	$ 11,378,000
Increase in customer deposits	378,705,000	209,941,000
Bank indebtedness	62,779,000	97,802,000
Increase in accounts payable and accrued liabilities	5,543,000	1,277,000
Due to related parties	17,202,000	28,981,000
Issue of common shares	20,000,000	—
Term debt—net of repayments	28,910,000	—
	532,975,000	349,379,000
Uses of Cash		
Net investment in		
Short-term notes	29,634,000	15,887,000
Securities	69,121,000	12,680,000
Mortgages	76,047,000	125,265,000
Secured personal loans	163,402,000	13,539,000
Commercial loans and equipment lease receivables	30,603,000	36,280,000
Real estate	126,394,000	87,619,000
Increase in accounts receivable	6,148,000	7,479,000
Purchase of net assets of subsidiaries less cash acquired	19,655,000	29,499,000
Fixed assets	4,020,000	4,767,000
Dividends		
Common	1,134,000	567,000
Preferred	1,977,000	2,056,000
Term debt—net of fundings	—	10,740,000
Subordinated notes redeemed	500,000	500,000
Purchase of preferred shares for cancellation	2,441,000	797,000
Other	6,846,000	4,843,000
	537,922,000	352,518,000
Decrease in Cash	4,947,000	3,139,000
Cash, Beginning of Year	19,253,000	22,392,000
Cash, End of Year	$ 14,306,000	$ 19,253,000

Notes to the Consolidated Financial Statements

December 31, 1980

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation
The consolidated financial statements include the accounts of the company and its subsidiaries, all of which are wholly-owned. Certain of the subsidiaries have a November 30 fiscal year end and have been consolidated as of that date.

The results of operations of the subsidiaries are included in the consolidated financial statements from the respective dates of acquisition or incorporation. Joint ventures and partnerships of subsidiary companies are accounted for using the proportionate consolidation method whereby the pro rata share of each of the assets, liabilities, revenues and expenses of each venture is included in the consolidated financial statements (Note 12).

Securities valuation
Bonds are carried at amortized cost and shares at cost.

Loans valuation
Mortgages, commercial and secured personal loans are carried at cost plus accrued interest, less repayments and provisions for losses.

Equipment lease receivables including secured finance contracts are carried at cost, net of unearned income and provisions for losses. These receivables are recorded in accordance with the financing method of accounting under which income is recognized on the sum-of-the-digits method.

Real estate
Income properties are carried at cost, including carrying costs capitalized during the development period. A property is deemed completed and operating when 70% rental occupancy is achieved, subject to a reasonable maximum time period.

Housing completed and under development (including condominium housing) is valued at the lower of cost and estimated net realizable value.

Land, other than land held for income property development, is carried at the lower of cost and estimated net realizable value. Land held for income property development is carried at cost.

Foreclosed property is carried at the lower of cost and estimated net realizable value.

The company capitalizes direct carrying costs related to real estate projects including specific interest, property taxes, legal fees, and those general and administrative expenses that are clearly identified with projects.

Net rentals from income properties under development and apartments under condominium conversion are capitalized until such time as the property is deemed operating or sold.

Revenue from the sale of housing units is recognized upon meeting the following criteria:

- ☐ construction is completed;
- ☐ the unit is accepted by the purchaser; and
- ☐ the purchaser assumes existing debt obligations related to the unit.

Revenue from the sale of land and income properties is recognized when all material requirements of the sale agreement have been met, when risks of ownership have been passed to the purchaser, and when an appropriate down payment has been received to ensure satisfactory completion of the transaction.

Foreign currency translation
Foreign currency assets and liabilities are translated at the rate of exchange prevailing at the balance sheet date. Revenue and expenses are translated at the average monthly rate of exchange prevailing during the year. Gains or losses from exchange translations are included in income except for those gains or losses resulting from the company's net investment in United States subsidiaries. These gains or losses have been deferred since repayment of the net investment is not imminent.

Other operating revenue

Mortgage processing fees are recognized as income by the sum-of-the-digits method over the term of the related mortgage to a maximum of five years. If the term of the mortgage is one year or less, fees are recognized as income quarterly in equal amounts. Other mortgage fees and other income are included in income as received.

Fee income from real estate equity financing loans is recorded at the time of making a firm commitment to fund a loan. Participation income is recognized as earned and reported by the borrower as stipulated in the loan agreement.

Depreciation and amortization

Operating income properties are depreciated principally on a 4%, forty-year sinking fund basis. The depreciation charge, which increases annually, consists of a fixed annual sum together with an amount equivalent to interest compounded at the rate of 4% per annum.

Fixed assets are depreciated on the straight-line basis over ten to sixty years; leasehold improvements are amortized on a straight-line basis over the terms of the related leases.

2. CHANGES IN ACCOUNTING POLICIES

During the year, the company amended a prior allocation of the excess of the cost of shares of a subsidiary acquired in 1978 over the fair value of the subsidiary's net assets at the date of acquisition. Consolidated retained earnings as at December 31, 1979 and consolidated net income for the year then ended have been reduced by $634,000 as a result of this change.

During the year, a subsidiary company adopted a new policy with respect to the translation of its investment in U.S. subsidiaries. As a result of this change, consolidated retained earnings as at December 31, 1979 and consolidated net income for the year then ended have been reduced by $300,000.

The above changes have no material effect on years prior to 1979.

3. ACQUISITION

On November 30, 1980, the company acquired all the outstanding shares of Roxboro Realty Corporation Ltd. ("Roxboro") from the company's principal shareholders in exchange for 833,334 common shares valued at $20,000,000.

The acquisition has been accounted for by the purchase method and the following net assets were acquired.

Total assets	$36,448,000
Total liabilities	16,448,000
	$20,000,000

4. SECURITIES

	1980	1979
Carrying values		
Government bonds	**$ 82,602,000**	$ 40,181,000
Preferred and common shares	**97,646,000**	70,946,000
	$180,248,000	$111,127,000
Market values		
Government bonds	**$ 75,347,000**	$ 36,248,000
Preferred and common shares	**92,397,000**	69,300,000
	$167,744,000	$105,548,000

5. REAL ESTATE

	1980	1979
Income properties		
Under development	$ 17,406,000	$ 8,475,000
Operating—at cost less accumulated depreciation of $5,180,000 (1979—$2,980,000)	133,705,000	71,528,000
Housing completed and under development	81,742,000	53,087,000
Land under development and held for sale	165,482,000	109,581,000
Real estate equity financing receivables	29,793,000	26,785,000
Foreclosed property	8,247,000	8,417,000
	$436,375,000	$277,873,000

Depreciation on income properties charged to income for the year amounted to $1,804,000 (1979—$843,000).

Included in the above is an amount of $16,143,000 which represents a subsidiary company's 50.44% interest in a U.S. real estate company acquired as a result of the acquisition of Roxboro discussed in Note 3. The company's interest may be reduced to 45.66% on the exercise of certain options with respect to the 50.44% owned company's common shares.

6. FIXED ASSETS

These assets are stated at cost less accumulated depreciation and amortization of $2,415,000 (1979—$1,719,000). Depreciation and amortization charged to income amounted to $1,031,000 (1979—$771,000).

7. BANK INDEBTEDNESS

	1980	1979
On income properties		
Operating	$ 28,241,000	$ 27,148,000
Under development	3,776,000	2,620,000
On housing completed and under development	27,184,000	29,372,000
On land under development and held for sale	16,639,000	15,393,000
General	147,689,000	84,332,000
On equipment leases	1,975,000	3,732,000
	$225,504,000	$162,597,000

The majority of bank loans bear interest at rates which vary with bank prime rate, the weighted average rate at December 31, 1980 was 17.4%.

Certain loans are secured by a demand debenture of $100,000,000, providing a first floating charge over all the assets of a subsidiary company, by fixed charges on specific income properties and a mortgage of an interest in a joint venture aggregating $43,637,000, a $15,000,000 guarantee of First City Financial Corporation Ltd. and by a general assignment of book debts. In addition, other loans are secured by a specific charge on real estate assets having a net book value of $121,260,000.

The equipment lease receivables loan is secured by a $5,000,000 floating charge debenture on the receivables portfolio and by a guarantee of First City Financial Corporation Ltd.

8. DUE TO RELATED PARTIES

	1980	1979
First City Financial Corporation Ltd.	$25,687,000	$11,607,000
Bel-Fran Investments Limited and related corporations	40,580,000	26,373,000
Director	1,531,000	1,531,000
	$67,798,000	$39,511,000

Included in the above is an amount of $22,558,000 due April 1, 1981. The remaining amounts have no specific terms of repayment. The total amount payable bears interest at a weighted average rate of approximately 15.1%; total interest charged for the year was $6,584,000.

9. TERM DEBT

Term debt is secured by mortgages and by assignment of equipment lease receivables, and bears interest at a weighted average rate of 11.6%.

	1980	1979
On operating income properties	$35,500,000	$22,702,000
On housing completed and under development	22,497,000	10,594,000
On land under development and held for sale	27,569,000	18,299,000
Equipment lease receivables—secured debentures	122,000	571,000
	$85,688,000	$52,166,000

Debt on housing completed and under development will be assumed by the purchasers of such units or discharged out of sale proceeds.

Approximate principal repayments on remaining term debt are:

1981	$14,230,000
1982	3,761,000
1983	6,111,000
1984	6,661,000
1985	16,257,000
Thereafter	16,171,000
	$63,191,000

10. SUBORDINATED NOTES

Series A Subordinatd Notes bear interest at a rate, adjusted quarterly, equal to 1½% per annum over the prime rate of a Canadian chartered bank.

Principal repayments are as follows:

June 20, 1981	$ 500,000
June 20, 1982	2,500,000
	$3,000,000

11. CAPITAL STOCK

	Number of Shares		Amount	
	1980	1979	1980	1979
Cumulative redeemable preferred shares of $10 par value each, issuable in series				
Authorized	2,000,000	2,000,000	$20,000,000	$20,000,000
Issued and fully paid				
Series A—10¾%	299,000	300,000	$ 2,990,000	$ 3,000,000
Series B—8.32%	547,600	577,000	5,476,000	5,770,000
	846,600	877,000	$ 8,466,000	$ 8,770,000
Cumulative redeemable 8¾% preferred shares of $8.50 par value each				
Authorized	2,000,000	2,000,000	$17,000,000	$17,000,000
Issued and fully paid	1,568,542	1,639,542	$13,333,000	$13,936,000
Cumulative redeemable preferred shares of $8.00 par value each, issuable in series				
Authorized	4,000,000	—	$32,000,000	—
Authorized as 11¼%, Series 1	1,200,000	—	$ 9,600,000	—
Common shares of $2.00 par value each				
Authorized	3,500,000	3,500,000	$ 7,000,000	$ 7,000,000
Issued and fully paid	1,497,544	1,133,908	$ 2,995,000	$ 2,268,000

Preferred share redemption provisions

$10 par value class: Series A—10¾%	Redeemable after January 1981 at par plus a decreasing premium to January 1995 and thereafter at par.
Series B—8.32%	Redeemable after September 1982 at par plus a decreasing premium to September 1987 and thereafter at par.
$8.50 par value class: 8¾%	Redeemable after April 1983 at par plus a decreasing premium to April 1988 and thereafter at par.
$8 par value class: Series 1—11¼%	Redeemable after December 1, 1985 at par plus a decreasing premium to December 1, 1990 and thereafter at par.

Purchase for cancellation
During the year the company purchased for cancellation 1,000 Series A—10¾%, $10 par value shares, 29,400 Series B—8.32%, $10 par value shares and 71,000 8¾%, $8.50 par value shares. Contributed surplus has been credited with $113,000 for the year, being the excess of par value over cost.

Common Share Issue
On November 30, 1980 the company issued 363,636 common shares to its parent company for $20,000,000, $727,000 par value of the shares was credited to capital stock and the balance of $19,273,000 to contributed surplus (Note 3).

12. JOINT VENTURES AND PARTNERSHIPS

These consolidated financial statements include a subsidiary company's proportionate share of real estate joint venture and partnership assets, liabilities, revenues and expenses as follows:

	1980	1979
Assets	$116,616,000	$60,781,000
Liabilities	67,798,000	40,728,000
Revenues	16,703,000	13,023,000
Expenses	12,997,000	12,447,000

In certain joint ventures and partnerships the subsidiary company is contingently liable for its partners' portion of liabilities. The amount of this contingent liability at November 30, 1980 is approximately $110,500,000 against which the company would have claims on the ventures' related assets which in total are sufficient to meet these obligations.

13. INCOME TAXES

A portion of the company's income is tax-exempt dividend income; accordingly, income taxes as provided in the consolidated statement of income are less than the amount obtained by applying statutory tax rates to income from operations before income taxes.

The provision is as follows:

	1980	1979
Current	$ 364,000	$ 784,000
Deferred	4,294,000	1,554,000
	$4,658,000	$2,338,000

14. EARNINGS PER COMMON SHARE

Earnings per common share have been calculated on the weighted average number of shares outstanding during each year.

15. INTEREST EXPENSE

In respect of real estate development operations of subsidiaries, interest totalled $35,087,000 of which $10,464,000 was charged to operations with the remaining amount being capitalized. Capitalized interest is charged to earnings during the period and in future periods, as part of the cost of real estate sold and through the depreciation of income properties.

16. STATUTORY INFORMATION

The aggregate direct remuneration paid or payable by the company and its subsidiaries during the year to directors and senior officers of the company was $1,183,000 (1979—$816,000).

17. COMMITMENTS

The company's premises and certain equipment are held under long-term leases extending for varying terms up to 2059. The aggregate amount of rentals paid during the year was $1,194,000. The aggregate rentals payable under all leases currently in force during the next five years is $4,862,000.

A subsidiary company involved in real estate development has lodged letters of credit aggregating $3,003,000 with municipalities and utilities as collateral for the fulfillment of obligations under certain subdivision agreements.

18. CONTINGENT LIABILITY

The company is defendant in an action in the amount of approximately $650,000 alleging breach of contract with respect to a mortgage financing commitment. The company is contesting the claim and has commenced warranty proceedings against others in respect of this claim.

19. COMPARATIVE FIGURES

Certain comparative figures for 1979 have been reclassified to conform with the classification used in the current year.

20. SUBSEQUENT EVENTS

(a) In January 1981, a subsidiary company completed a cash tender offer of U.S. $37.15 for each of the outstanding shares of beneficial interest of Denver Real Estate Investments Association ("Denver REIA"). Approximately 900,000 shares (82% of the total outstanding) have been acquired with funds provided by the company's parent. Denver REIA is an unincorporated Colorado business trust that invests in diversified income-producing real estate. In connection with the offer, another party has commenced an action against a subsidiary company which claims interference with contract and interference with prospective advantage and recently moved to amend its complaint to allege damages in excess of U.S. $8,000,000 and claim punitive damages of U.S. $20,000,000. The litigation is at a preliminary stage. The company and its counsel, on the basis of an analysis of the law of Colorado, as applicable to such cases, and as applied to the facts as understood by the company and its counsel, do not believe that the third party has a valid claim for punitive damages and believe that a better-reasoned analysis of the law and cases should lead a court applying Colorado laws to deny any recovery to the third party of the claims asserted.

(b) In January 1981, a subsidiary company agreed to purchase for cash of U.S. $1,200,000 and promissory notes of U.S. $3,187,000, 49% of the outstanding shares of Clarion Capital Corporation ("Clarion"), a company with assets in excess of U.S. $27,000,000. Clarion is a Small Business Investment Company based in Cleveland, Ohio. The agreement is subject to approvals of government regulatory authorities.

(c) Under the terms of a share exchange offer dated December 23, 1980, the company offered to the common shareholders of Equitrust Mortgage and Savings Company ("Equitrust") one $8 par value, 11¼% Retractable Second Preferred Share, Series 1 for each share held. As of the close of the offer on February 20, 1981, 1,097,366 or 96.6% of Equitrust's shares had been tendered. First City Trust Company has issued $8,779,000 of 11¼% preferred shares under the offer.

21. BUSINESS SEGMENT INFORMATION

Operations and identifiable assets by industry segment are as follows (in thousands of dollars):

1980	Financial Services	Real Estate	Eliminations	Consolidated
Revenue from third parties	$ 131,024	$133,205	$ —	$ 264,229
Intersegment revenue	263	207	(470)	—
	$ 131,287	$133,412	$(470)	$ 264,229
Net income	$ 6,412	$ 5,573	$(366)	$ 11,619
Identifiable assets	$1,232,454	$480,355		$1,712,809
Depreciation and amortization	$ 589	$ 2,255		$ 2,844

1979	Financial Services	Real Estate	Eliminations	Consolidated
Revenue from third parties	$ 88,729	$120,975	$ —	$ 209,704
Intersegment revenue	267	—	(267)	—
	$ 88,996	$120,975	$(267)	$ 209,704
Net income	$ 5,074	$ 2,585	$(267)	$ 7,392
Identifiable assets	$842,534	$330,441		$1,172,975
Depreciation and amortization	$ 461	$ 1,152		$ 1,631

Operations and identifiable assets by geographic region are as follows:

1980	Canada	United States	Eliminations	Consolidated
Revenue from third parties	$ 194,889	$ 69,340	$ —	$ 264,229
Intersegment revenue	4,194	155	(4,349)	—
	$ 199,083	$ 69,495	$ (4,349)	$ 264,229
Net income	$ 10,366	$ 1,253	$ —	$ 11,619
Identifiable assets	$1,478,231	$289,858	$(55,280)	$1,712,809

1979	Canada	United States	Eliminations	Consolidated
Revenue from third parties	$ 135,343	$ 74,361	$ —	$ 209,704
Intersegment revenue	628	—	(628)	—
	$ 135,971	$ 74,361	$ (628)	$ 209,704
Net income	$ 4,179	$ 3,213	$ —	$ 7,392
Identifiable assets	$1,036,722	$172,834	$(36,581)	$1,172,975

First City Trust Company
and Subsidiaries

Five-Year Summary
(In thousands of dollars except for per share figures)

	1980	1979	1978	1977	1976
Balance Sheet					
Assets					
Cash and Short Term Investments	$ 59,827	$ 35,140	$ 22,392	$ 34,653	$ 19,384
Securities	180,248	111,127	98,447	52,762	53,409
Mortgages	695,210	619,163	493,898	349,668	280,096
Secured Personal Loans	185,266	21,864	8,325	6,498	5,357
Commercial Loans and Equipment Leases	102,885	72,282	36,002	18,423	—
Real Estate	436,375	277,873	138,394	12,815	2,537
Other Assets	52,998	35,526	23,443	4,505	2,971
	$1,712,809	$1,172,975	$820,901	$479,324	$363,754
Liabilities and Equity					
Deposits	$1,200,691	$ 821,986	$612,045	$425,307	$338,916
Other Liabilities	330,531	234,090	104,644	19,166	1,639
Term Debt	85,688	52,166	43,835	6,350	4,750
Total Liabilities	1,616,910	1,108,242	760,524	450,823	345,305
Deferred Income Taxes	21,933	16,834	15,465	3,718	1,980
Minority Interest	—	1,647	2,632	—	—
Shareholders' Equity	73,966	46,252	42,280	24,783	16,469
	$1,712,809	$1,172,975	$820,901	$479,324	$363,754
Income Statement					
Revenue:					
Income from Investments	$ 116,680	$ 80,833	$ 55,735	$ 40,630	$ 32,516
Real Estate Revenue	133,205	120,975	20,470	—	—
Other Operating Revenue	14,344	7,896	4,275	4,851	4,661
Total Revenue	264,229	209,704	80,480	45,481	37,177
Expenses:					
Interest	118,870	81,603	47,762	32,216	26,668
Salaries	13,167	9,368	5,417	3,136	2,390
Real Estate Costs	97,403	94,146	15,064	—	—
Other Expenses	18,512	14,857	5,708	4,813	3,728
Total Expenses	247,952	199,974	73,951	40,165	32,786
Income Taxes	4,658	2,338	1,246	1,752	1,703
Net Income	$ 11,619	$ 7,392	$ 5,283	$ 3,564	$ 2,688
Per Common Share:					
Earnings	$ 8.28	$ 4.71	$ 3.15	$ 2.74	$ 2.10
Dividends	$ 1.00	$ 0.50	$ 0.50	$ 0.46	$ 0.41
Book Value	$ 34.84	$ 20.77	$ 16.55	$ 13.92	$ 11.88

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FIRST CITY FINANCIAL CORPORATION LTD.

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Peter W. McDonald
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M. Graham Jue
Divisional Vice President,
Director of Marketing
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FIRST CITY MORTGAGE COMPANY

This company offers debenture deposit services in all the First City Trust savings branch locations.

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Assistant Controller

Richard E. Barker
Assistant Controller

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Assistant Secretary

Margaret A. Huth
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Kevin Hanson
Vice President

FIRST CITY DEVELOPMENTS CORP. OF BOSTON

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President

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H. Sean Mathis
Executive Vice President

CITRUST DEVELOPMENT COMPANY

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FIRST CITY EQUITIES

Barry Gelbart
Partner

David Schuman
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Secretary/Treasurer

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Vice President, Land Development

Sheldon L. LaZar
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Vice President

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Assistant Secretary

TRANSFER AGENT AND REGISTRAR

First City Trust Company
Savings Branch Offices:

Calgary
Edmonton
Regina
Toronto
Vancouver
Winnipeg
Hamilton

AUDITORS

Deloitte Haskins & Sells
Chartered Accountants

STOCK EXCHANGE LISTING

Toronto Stock Exchange
Stock Ticker Symbols:
First City Financial—**FCY**
First City Trust—**FCT**

FIRST CITY OFFICE LOCATIONS

First City Financial Corporation Ltd.

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First City Trust Company

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Executive Office:
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Branches In:

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Savings	(519) 821-2190
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Savings	(514) 284-2424
Mortgage	(514) 844-8891

First City Capital Ltd.

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	(613) 563-4624
Montreal	(514) 842-4851
Quebec City	(418) 843-3932
St. John's, Nfld.	(709) 722-3434

First City Development Corp. Ltd.

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First City Investments Division

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Consolidated Building Division

99 Avenue Road
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Villa Properties Limited

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First City Developments Corp.

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Subsidiaries:

Metropolitan Development Corporation
305-8447 Wilshire Boulevard
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State Mutual Investors, Inc.
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Downey, California
90240
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Suite 120-4621 Teller Avenue
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92660
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First City Developments Corp. of Boston
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(213) 475-0913

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Northbrook, Illinois
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(312) 291-0610

First City Holdings, Inc.
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(212) 751-1066

All photo quotations are from an article "To Know Where We Have Been!" by Charles Kuralt

If you ask people what they detest most it will be probably the word "no." We have been brainwashed into thinking that if we say that nasty little word, we will immediately turn into killjoys, grouches, hags, villains, tightwads, ogres, prudes or fanatics. I would like to say yes to no once again. No is a good word. I want my kids and their kids to have something left to say no about. No is, after all, a part of life. Doing without for its own sake is out of style. I think that doing without is not half as bad as endless having. I think we could give our children a lesson in something besides instant gratification. I think we could put life into material possessions, good times, and *people* by treating all of them as precious rather than disposable.

Say no. Wait awhile. Think it over. Build up the anticipation. Savor the possibilities. Skip it for now. Have it later. Abstinence makes the heart grow fonder.

—Suzanne Britt Jordan

An Only Child

Frank Borman—*former astronaut*
Leonardo da Vinci—*Renaissance genius*
Margaret Truman—*writer and daughter of Harry S. Truman*
Roger Staubach—*pro quarterback*
Jean-Paul Sartre—*French existentialist, author-philosopher*
Clark Gable—*movie star*
Mary, Queen of Scots—*tragic royal figure*
Josef Stalin—*Soviet dictator*
Betty Furness—*TV personality, consumer advocate*
Robert Louis Stevenson—*writer*
Franklin D. Roosevelt—*president of the U.S.*
Marilyn Monroe—*movie star*

In China and elsewhere in the world, fealty to one's native village and place of birth is a lifelong obligation. But in Canada, we've subscribed to the curious notion that anyone can abandon the place where first-consciousness dawned, where the wind was first felt, the sun *first* known, where one was nourished by the warmth of family flesh close by.

— Curtis Harnack

The family will continue because it offers what every human being needs—the nurture and support of others who are committed to him without qualification. What makes the household a family is that each member will care about each other member and be available in time of need with no expiration date on that availability.

Part of the value of the traditional family is having two or three generations together, contributing their differing memories and viewpoints. Families cannot live in the present alone, past and future sit daily at the dinner table.

— Elise Boulding

Do you know those old houses that stand alone in the fields? They are fewer than they used to be, those homes alone. The old folks die away and their children bunch together in brick suburbs, where they cannot hear the screen door of the home place banging in the wind.

The Pursuit of Happiness

In a 1978 survey conducted for the Institute of Life Insurance, 80% of the respondents chose "a happy family life" over any of the other goals offered them. The other goals were: "the opportunity to develop as an individual" (12%), "a fulfilling career" (4%), and "making a lot of money" (3%).

The problems remain as they have been for the past 10,000 years: how to find a job that provides income and an opportunity to grow; how to find someone with whom one can build a life; how to educate children; how to fulfill these demands while maintaining a stable, balanced life.

—*William Saroyan*

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